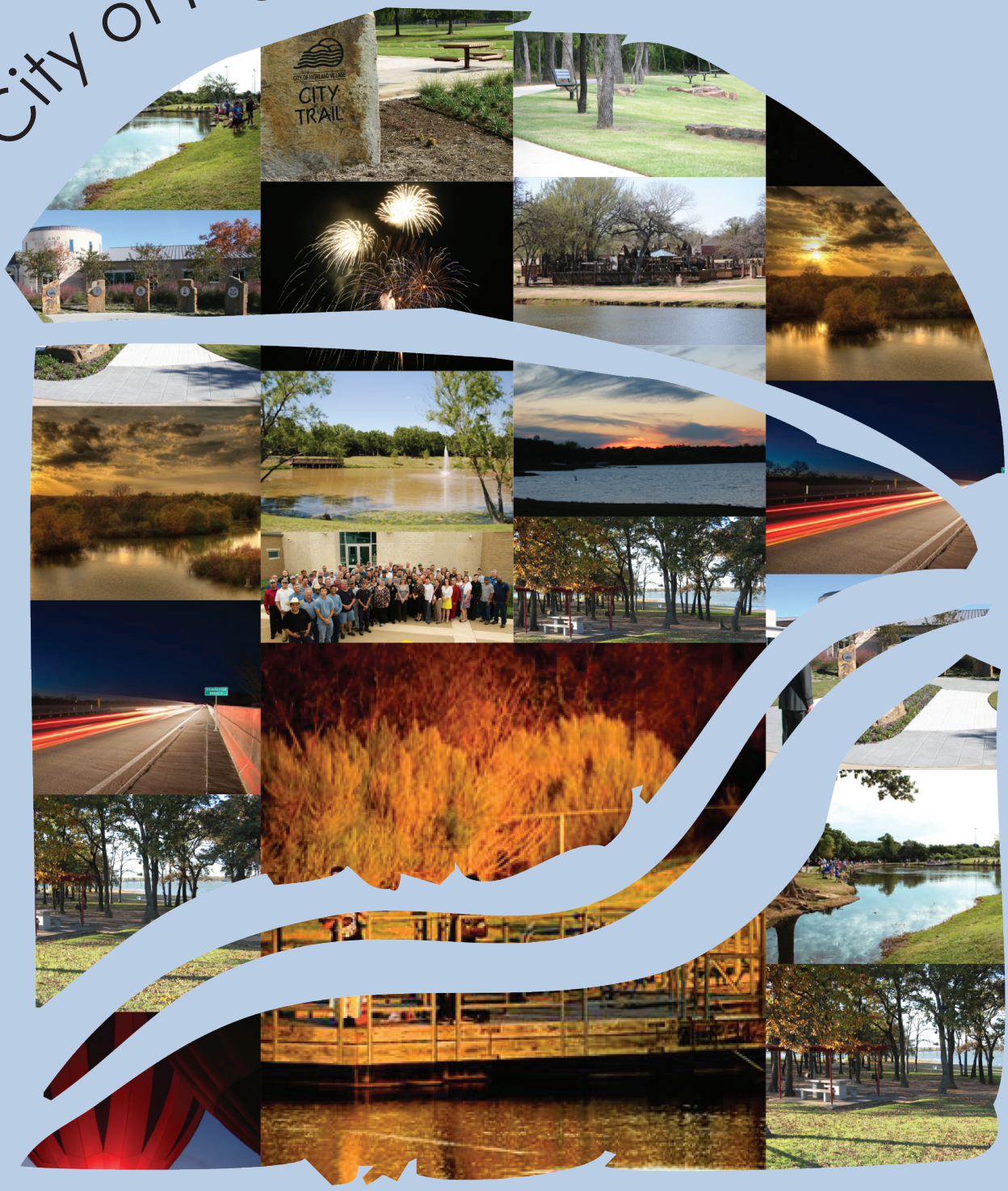
City of Highland Village



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2015

CITY OF
HIGHLAND VILLAGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

Prepared by:

The Finance Department

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CITY OF HIGHLAND VILLAGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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CITY OF HIGHLAND VILLAGE, TEXAS

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INTRODUCTORY SECTION

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FINANCE
1000 Highland Village Road
Highland Village, TX 75077
972-899-5089 F 972-899-5100
www.highlandvillage.org

March 20, 2016

Honorable Mayor, City Council
City of Highland Village
Highland Village, Texas

The Finance Department of the City of Highland Village is pleased to submit the Comprehensive Annual Financial Report of the City of Highland Village, Texas, for the fiscal year ended September 30, 2015.

The report is published to provide the City Council, management staff, our citizens and other interested parties with detailed information concerning the financial condition and performance of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Highland Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The financial statements included in this report were prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA). To demonstrate further public accountability, the independent accounting firm of Certified Public Accountants, Pattillo, Brown & Hill, L.L.P. whose report is included herein, has audited the City's financial statements.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Highland Village's financial statements for the year ended September 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

In addition, a Management's Discussion and Analysis (MD&A) section, immediately following the independent auditor's report includes a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Highland Village, incorporated in 1963, is located in the southeastern portion of Denton County on Highway 407, west of Lewisville, 20 miles north of Dallas, 34 miles northeast of Fort Worth, 15 miles southeast of Denton and 8 miles north of Dallas-Fort Worth International Airport. The City is primarily residential.

The City's estimated 2015 population is 15,915, a 6% increase over the past 10 years. A reflection of this sustained growth in population is evidenced by a consistent trend in the number of single-family residential permits being issued. The City is currently approximately 95% built out, with approximately 237 single-family residential homes remaining to be built in platted and unplatted parcels. The estimated build out date is approximately 2022. Over the last five years, the City has averaged 21 single-family residential permits annually. The average assessed value for existing single-family dwellings on the 2014 Tax Roll was $304,559.

The City of Highland Village operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council), consisting of a mayor and six other members, all elected at large. The Council appoints the City Manager, who in turn appoints the heads of the various departments. All council members are elected for two-year terms.

This report includes all funds and account groups of the City. The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and infrastructure; recreational facilities and cultural events. In addition to general government administrative services, the City provides water, sewer and sanitation services. The City is also financially accountable for a legally separate component unit – the Highland Village Community Development Corporation, which is reported as a blended component unit within the City of Highland Village's financial statements (see Note 1A for additional information).

The Council is required to adopt a final budget by no later than September 30th – the close of the fiscal year. This annual budget serves as the foundation for the City of Highland Village's financial planning and control. The budget is prepared by fund, category (personnel, services/supplies, capital) and department (e.g., police, fire, human resources). Departments may reallocate resources within a category, but reallocation between categories or departments requires council approval.

Local Economy

The national economy is relatively steady with modest growth, with the North Texas economy continuing as a bright spot. In general, North Texas as a whole has experienced robust growth, with job creation at higher levels than much of the nation. The area housing market has grown steadily over the past few years. And increased production of natural gas in the Barnett Shale formation in this area continues to be a stimulus to the local economy, however slowing due to depressed gas prices. The close proximity of the Dallas-Fort Worth International Airport and both cities of Dallas and Fort Worth enhance increasing residential development. The average value of new construction residential permits was approximately $248,807. There were 17 single-family permits issued during fiscal year 2014/2015 for a total construction value of $4,229,719. In addition, there were 5,443 water connections, with 5,135 being the total residential. Since the City's residential tax base is a significant portion of its annual budget, these increases have the most significant impact on the City's ability to raise revenues to provide the services and conditions for future growth.

There were 43 commercial permits issued during the year for a total construction value of $21,343,902. Increased commercial development has certainly enhanced the business and economic outlook for the City. Over the past fifteen years, the City has realized gradual economic development, beginning with the completion in 1995 of the 80,000 square foot Highland Village Town Center shopping complex. Kroger's grocery chain is the anchor commercial development in the Town Center complex. Phase II of this development was completed in October 1997, with both developments maintaining a high occupancy. Valley Ridge Center, a professional office

complex on FM 407 was also added in 1997. A new bank, United Community Bank, opened for business in 1998 with a temporary building - a permanent bank building was completed in 1999. A merger with Independent Bank in 2012 further solidified the bank and now serves as the City's depository.

In January 1999, the City Council initiated implementation of an overlay ordinance for nonresidential development. This change was enacted to create a unique look for Highland Village by requiring a residential look to nonresidential uses. This effort was seen as an economic development issue to ensure quality future development. The completion of Village Parkway in 1998 in the western part of the City provides additional economic stimulus for the City - particularly now that TXDOT has constructed a segment that extends this roadway to Denton as an extension of FM 2499, providing an alternate route to DFW Airport. And this, in turn, greatly enhances the commercial value of the developments at the FM 407 and FM 2499 intersection with the resulting increase in traffic.

Village Creek Center, started in the mid 1980's, added three new buildings in 1999 to complete their site plan. This center includes restaurant facilities and professional office space. In 2000, a two-building professional office development was completed and fully leased, with plans to expand by another building. Also in 2000, Tartan Village Retail Center opened with 6,000 square feet of retail space and Barnett Center constructed a childcare facility. The Barnett Center added an animal hospital in 2002 and a 56,000 square foot assisted living facility was added in 2003, with a 35,000 square foot extensive care addition completed the following year.

Celebrations, a 12,000 square foot banquet hall, was completed in 2003, updated in 2015 with new owners with addition of a chapel – transforming the facility to a wedding / reception facility. A 17,000 square foot retail center, Tartan Square, was added in 2004. Highland Village Business Park was completed, with two office / professional buildings totaling 16,000 square feet, in early 2005.

With limited remaining undeveloped commercial property in Highland Village – primarily located along FM 407 and FM 2499, the City focused on the remaining undeveloped property to ensure compatible, high-quality development. An additional overlay district was developed for this area to apply standards that will assure the highest and best use, with the potential for increased sales tax revenues while continuing to maintain the high quality of life in Highland Village.

The remaining principal area for retail development, at the intersection of FM 407 and FM 2499, saw substantial activity beginning in 2006. At the northeast corner of this intersection - the Marketplace at Highland Village, a 66-acre retail mixed-use development anchored by a 205,000 square foot Wal-Mart Super center, also including approximately 280,000 square feet of retail, office, and restaurants, saw some of its businesses open in October 2006, with the Wal-Mart store opening in November 2007. The Wal-Mart store is truly one-of-a-kind, with preservation of a 125 year-old pecan tree incorporated into the front entrance of the store.

On the northwest corner of the intersection, The Shops at Highland Village, a 45-acre development opened in September 2007. Barnes & Noble and an AMC Theater anchor the 380,000 square foot center, with upscale retail stores including Banana Republic, Victoria's Secret, as well as a variety of restaurants. The Shops at Highland Village is a pedestrian friendly, lifestyle shopping experience featuring fountains, outside dining areas, and pedestrian walkways – also connecting to the City's Inland Trail system. And the addition of Whole Foods in September 2014, further cements the vitality of this development.

Just east of the Marketplace, The District of Highland Village, initially approved by Highland Village City Council in March 2007, was planned as a "Main Street" center with retail and residential townhomes. Construction of the first phase was completed, but additional construction stalled due to the economic downturn. A redesigned plan was presented to City Council in FY 2011, but denied – prompting a lawsuit by the property owner based on the City's denial of the rezoning request. During the ensuing year, the City and its legal counsel thoroughly defended against the claims made in the lawsuit. City officials and staff worked diligently with the property owners to settle their dispute, resulting in approval by City Council in November 2012 of a new development plan to provide open air plazas for a mixed-use development of residential lofts, retail, and office professional facilities, offering a unique and desirable high-end loft living lifestyle currently not available in Highland Village and adjacent cities. Construction initiated in 2014 and is ongoing.

The City is primarily a residential community with a relatively small commercial base. New residential construction has slowed from previous years, with substantial residential build-out expected in the near future. Roughly 237 potential lots remain, most of these associated with several developments in the western portion of the city, providing very modest residential building activity.

There are shopping areas with major retail department stores, variety stores and chain stores located in the general vicinity of Highland Village. Wholesale firms, distributing automobile parts and supplies, electronics, lumber, meats, plumbing fixtures, petroleum products and boat distributors are also located in the general vicinity. A plentiful supply of skilled labor is available to industry in the Highland Village area. Denton County reflected an unemployment rate of 3.4% as of September 2015.

Long Term Financial Planning

Economic Development, specifically retail development, continues to be a primary objective. This will not only provide desired amenities for residents' immediate access, but also an avenue to diversify the City's revenue stream that is highly dependent on property tax. This is especially pertinent as the City nears substantial residential build-out, and accompanying declining growth in assessed valuation. A stated focus of Council is to maintain the current tax rate. This, coupled with declining growth in assessed valuation, provides a challenge to maintain the high level of services provided for in this community. A continued primary focus over the next few years is to maintain current staffing levels through residential build-out while maintaining the City's excellent level of service.

Future water supply, pumping facilities, and wastewater treatment will also continue to be a focal point of meeting growth demands through build-out. Highland Village has contracted with the Upper Trinity Regional Water District (UTRWD) to take three million gallons of water per day (MGD). This water supply supplements the City's four productive water wells. A utility rate structure was updated to provide a 70/30 mix of surface water and ground water respectively.

To meet the City's wastewater needs, a long-term solution was finalized in June, 1995 with a 1.8 million gallons per day treatment contract with the Upper Trinity Regional Water District's Lakeview Wastewater Reclamation Project, which provided for a participatory contract to meet the City's build out wastewater effluent needs. In the initial stage of this contract, developer contributions (Impact Fees) have paid the bulk of the annual commitments with the existing ratepayers paying a minimal portion of the contract cost. The City's current capacity is at 1.65 MGD, but the City may reinstate the 1.8 MGD capacity at a future date, if needed. The subscribed capacities for both water and sewer are generally expected to be sufficient through build-out.

A municipal drainage utility was formed at the end of FY 2006 to fund a storm water quality program and related drainage projects necessitated by Phase II MS 4 Storm Water Regulations – administered by the Texas Commission on Environmental Quality (TCEQ). A rate of $1.20 per 1,000 square feet of impervious cover was established to fund this program – unchanged until FY 2015 when adjusted to $1.40. The monthly average for most City residents is about $5.00. The utility has a staff of five positions and has procured needed equipment. The utility has achieved great success, already completing a number of needed drainage projects - also achieving substantial cost savings by averting contracting of these projects. In FY 2013, an aggressive mosquito abatement program was developed to address the significant increase in West Nile Virus, and is ongoing.

The City continues to address park programs to meet the changing needs of the community. The governing body adopted an ordinance in 1991 to establish Park Development Fees to be paid by the development community. These fees are dedicated to Park Development. This ordinance was revised in 1997 to collect fees for three components – community park, inland trail system, and neighborhood parks. Phase I of the development of Unity Park was completed and was utilized in full for athletic activity in early 1996. In September 1996, $1,850,000 in General Obligation Bonds was issued to complete Phase II of Community Park and provide improvements to other City parks. Phase II of the Park, completed in April 1997, includes lighting, restrooms and concessions. Additional parking and restroom enhancements were added in 2012 funded by a certificate of obligation. An inter-local agreement with the Lewisville Independent School District allows the City and Briarhill Middle School (adjacent to Unity Park) to share common facilities. Completion of Village Park in 2005 provided a neighborhood park in the western quadrant of the City. .

An additional primary focus of the City has been the establishment of a comprehensive trail system throughout the City. The initial spine (9.83 miles) of the trail system was initiated with securing a $1 million TEA-21 grant. This was completed in 2006 with a cost of $1.7M. Voters approved a ½ cent 4B sales tax in November 2004 – specifically targeted for trail development and a soccer complex. All future development of the trail system is to be funded by the 4B sales tax. A $3M bond issue in 2008 provided funding for the next section – with another $3.8M bond issuance in FY 2009 to further expand the trail system in the City.

The Doubletree Ranch property was purchased in 2009 with funds from a certificate of obligation that will be reimbursed to the City with 4B revenues. This property, 36 acres in the eastern portion of the City, will provide open space, trails, and area for soccer fields, in a pristine setting. A master plan for this property was approved in 2011, and design was initiated in FY 2013. In FY 2014 a $6.7M Certificate of Obligation was issued to supplement remediation funds of $2.8M previously received from TxDOT associated with the loss of Copperas Branch Park resulting from the expansion of I-35 - to be redirected to Doubletree Ranch Park, to fund park construction. Accordingly, construction commenced in FY 2014, with opening of the park anticipated in May 2016. Ultimately, 28 miles of trails are envisioned in the Trail Master Plan.

Lakeside Community Park was added in 2015, utilizing 4B revenues. This park – with water front access to Lake Lewisville, includes a ¼ loop trail, two pavilions, all with fantastic lake views.

A number of recreation programs have been initiated. In particular, baseball and soccer associations have experienced consistent participation, and have remained quite successful.

Major Initiatives

The City's staff, following specific directives of the City Council and City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens are able to live and work in an enviable environment. The following are initiatives and programs relating to general governmental functions:

- Received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the submitted 2014 Comprehensive Annual Financial Report.
- Received the GFOA Distinguished Budget Presentation Award for the Fiscal Year 2015 Budget.
- Implemented a video series to highlight City departments and the employees serving in those departments.
- Established an electronic Personnel Records System.
- Successfully recruited a new Assistant Fire Chief, City Secretary, and Deputy Public Works Director.
- Proactively responded to over 200 requests from the public for City records made through the Public Information Act (Open Records). In an effort to expedite the processing of requests and preserve paper, responsive records were provided electronically whenever possible.
- Created a desktop inventory and a five-year replacement schedule.
- Created an integrated Laserfiche workflow for the Court’s Magistrate documents to be scanned.
- Rolled out a mobile solution to the Streets Department for access to the work order system while out in the field.
- Moved the City’s main server center to a more secure and better designed location.
- Upgraded the Ethernet cabling in City Hall, excluding the Police Department which will be completed this Fiscal Year.
- Implemented web filtering and enhanced virus protection capabilities.
- Implemented an Automated Vehicle Location (AVL) mapping system in all Police vehicles which can be monitored on Police Command Staff computers as well as in Dispatch.
- The Police Department opened a rent free Police Substation at The Shops at Highland Village, which allows more visibility and presence to help deter criminal activity in an area that affords the City an estimated 28% of its sales tax revenue.
- A comprehensive review of our current Radio System along with options to upgrade our Computer Aided Dispatch and Records Management System (CAD/RMS) was conducted by both staff and an outside consulting firm, Mission Critical Partners (MCP).
- A cross training program for Officers in Dispatch and Animal Control was established for new Police Officers broadening their skills and certification while providing the agency with greater flexibility.
- Highland Village Police Department is committed to fundraising and education awareness for Special Olympics Texas. The Police Department raised over $1,000 in shirt sales and participated in both the spring and summer games held at the University of Texas at Arlington.
- Tasers were updated with the latest safety features, which includes shutoff mechanisms and a bright yellow color that is more visible by suspects, witnesses, and Police Officers.
- Through a cooperative effort between Police, Streets, and TxDOT, a safer, more efficient traffic island was installed on FM 2499 at The Shops at Highland Village, resulting in no intersection related issues or accidents recorded.

- Received the 2014 Life Safety Achievement Award.
- All personnel are nationally certified for medical treatment in Advanced Cardiac Life Support, Pediatric Advanced Life Support, and International Trauma Life Support.
- Increased the number of Automatic External Defibrillator's (AED's) for public access by adding three additional units in key park areas.
- Provided CPR, First Aid, and AED training to City employees, as well as over 300 residents and local community members.
- Completed the FEMA required Hazardous Mitigation Action Plan (HazMAP), as well as the Community Wildfire Protection Plan (CWPP).
- The Fire Prevention Division made contact with each business in Highland Village and began a comprehensive review of fire protection, gaining voluntary compliance during the inspection process.
- Continued the implementation of CityWorks Permitting, Licensing, and Land (PLL) program. Permits are being entered electronically, thus enhancing the process by making it more streamlined and transparent.
- Performed a total of 2,946 inspections.
- Installed 10% retro-reflective street signs to comply with Federal Highway Administration (FHWA) regulations.
- Hosted TEEX LTAP Road Scholar Program training.
- Completed the fire suppression system and remodel of the IT server room.
- Completed 1,367 total work orders, 989 of which were preventative maintenance.
- Completed the development of Lakeside Community Park and the corresponding Trail Head.
- Completed the FM 2499 Pedestrian Tunnel and Castlewood Trail.
- Ranch Park and Lewisville, to include a pedestrian bridge over Copperas Branch Lake.
- Established new community education classes, which include Children's Creative Art and Kinderdance.
- Rebuilt camp sites, and other amenities, at Pilot Knoll Park due to flooding.
- Connected the trails in the Sprint Oaks subdivision, thus completing the trails in that location.
- Installed new emergency signs on City Trail.
- Installed security cameras at the new FM 2499 Pedestrian Tunnel.
- Completed construction of the FM 407 Well Lot improvements project.
- Implemented a televising program to identify Inflow and Infiltration (I&I) issues in the sanitary sewer system.
- Completed the fixed network water meter reading system project.
- Implemented the Eye On Water application as part of the fixed network water meter reading system.
- Completed Phase II of the manhole restoration project, which included 50 manholes.
- Excavated and repaired 87 water main breaks, service line leaks, and sanitary sewer line breaks.
- Located and raised City infrastructure for a GIS project.
- Maintained the Outstanding Drinking Water System Award from TCEQ.

Relevant financial policies

The City's financial policies address accounting and fiscal operations of the City with emphasis on asset management, operating reserves and fund balances. The City has established policies to maintain a fund balance equivalent to at least 15% of General Fund expenditures. Accordingly,

fund balance levels have remained above this level. Ending fund balance was 34% in FY 2010 and FY 2011, 36% in FY 2012, 33% in both FY 2013 and FY 2014, and 35% in FY 2015. Financial policies provide for one-time or non-recurring revenues not being used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes. Fund balance levels are currently higher than anticipated to be necessary on an on-going basis. With recent initiatives realized in diversification of the City's revenue base – specifically a higher percentage of sales tax revenues, the City will likely maintain a fund balance higher than the current policy of 15%, but less than current actual levels. Concurrent with establishing a track record with the expanded sales tax base, is a gradual plan to reduce fund balance levels – specifically by funding capital items with excess reserves. A continuing priority is to ensure sufficient revenues are available for the level of operating expenditures.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Village for its comprehensive annual financial report for the fiscal year ended September 30, 2014. This was the twenty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year 2015 – the City's ninth consecutive receipt of this award. n order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Thanks especially to Heather Miller for her hard work toward the completion of this document and continued commitment to excellence in accounting standards. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

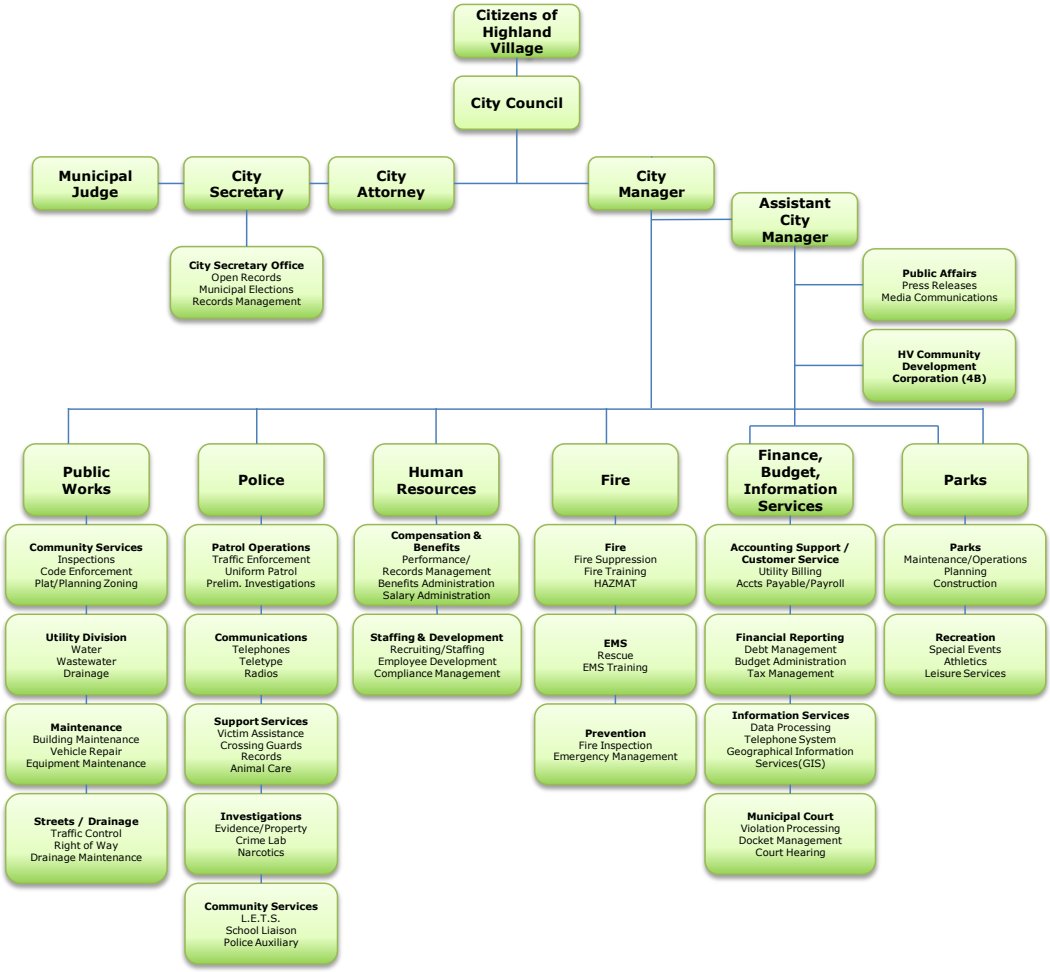
In closing, without the leadership and support of the City Council of the City of Highland Village, preparation of this report would not have been possible.

Sincerely,

Ken Heerman
Assistant City Manager

City of Highland Village

Organization Chart FY 2014 / 2015



CITY OF HIGHLAND VILLAGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OCTOBER 1, 2014 – SEPTEMBER 30, 2015

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

MAYOR AND CITY COUNCIL

		Term Expires
Charlotte Wilcox, Mayor	Place 1	05/2016
Michelle Schwolert, Mayor Pro Tem	Place 2	05/2016
Mike Lombardo	Place 3	05/2017
Louis Robichaux, IV	Place 4	05/2016
Frederick Busche	Place 5	05/2017
John McGee	Place 6	05/2016
William Meek	Place 7	05/2017

ADMINISTRATIVE

Michael Leavitt	City Manager
Angela Miller	City Secretary
Ken Heerman	Assistant City Manager
Scott Kriston	Director of Public Works
Doug Reim	Police Chief
John Glover	Fire Chief
Martha Butz	Human Resources Director
Linda Cornelius	Director of Parks and Recreation

Prepared by:
City's Finance Department

Government Finance Officers Association

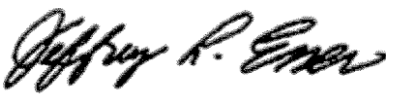
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Village Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014



Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and City Council
City of Highland Village, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Highland Village, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and* Governmental Accounting Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Highland Village Texas' fiscal year 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year needed September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions, and budgetary comparison information on pages 4 – 20 and 58 – 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland Village, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, capital asset schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016, on our consideration of the City of Highland Village, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Highland Village, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 18, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Highland Village, we offer readers of the City of Highland Village's financial statements this narrative overview and analysis of the financial activities of the City of Highland Village for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Highland Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $52,891,019. Of this amount, $5,041,138 may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Highland Village's total net position increased by $441,969. A $1,257,218 increase in net position related to governmental activities was reduced by a decrease of $815,249 in net position in business-type activities.

- Net position was reduced by $2,572,052 as a prior period adjustment related to the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27." The reduction in net position related to governmental activities and business-type activities, was $2,274,209 and $297,843, respectively.

- As of September 30, 2015, the City of Highland Village's governmental funds reported combined ending fund balances of $8,369,132, a decrease of $5,420,832 in comparison with the prior year. Approximately 50 percent of this total amount, $4,207,414, is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $4,207,414, or 29 percent of total General Fund expenditures.

- The City of Highland Village's total debt decreased by $2,685,000 during the current fiscal year. The key factor in this decrease was the schedule debt payments for the governmental activities and business-type activities of $1,825,000 and $860,000, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Highland Village's basic financial statements. The City of Highland Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Highland Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Highland Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Highland Village is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

> **Governmental activities**. Most of the City's basic services are reported here, including the police, fire, community development, public works, information services, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
>
> **Business-type activities**. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and drainage utilities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Highland Village can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Highland Village maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Highland Village Community Development Fund, all of which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Fund (a component of proprietary funds) is identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

The City of Highland Village maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highland Village's budgetary comparison schedules and its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $52,891,019 as of September 30, 2015. Analyzing the net position of governmental and business-type activities separately, governmental activities' net position was $43,681,853 and business-type activities' net position was $9,209,166. This analysis focuses on the net position (Table 1), and the changes in net position (Table 2).

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1

CITY OF HIGHLAND VILLAGE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 10,547,273	$ 18,111,398	$ 7,805,552	$ 10,562,834	$ 18,352,825	$ 28,674,232
Capital assets	63,138,604	57,437,240	16,373,799	14,927,783	79,512,403	72,365,023
Total assets	73,685,877	75,548,638	24,179,351	25,490,617	97,865,228	101,039,255
Deferred outflows of resources	1,223,047	218,643	300,617	198,985	1,523,664	417,628
Long-term liabilities	26,054,795	24,315,880	12,361,277	12,833,477	38,416,072	37,149,357
Other liabilities	5,164,758	6,752,557	2,908,540	2,533,867	8,073,298	9,286,424
Total liabilities	31,219,553	31,068,437	15,269,817	15,367,344	46,489,370	46,435,781
Deferred inflows of resources	7,518	-	985	-	8,503	-
Net position:						
Net investment in capital assets	40,160,271	39,860,121	5,519,051	6,325,308	45,679,322	46,185,429
Restricted	1,310,755	907,667	859,804	854,369	2,170,559	1,762,036
Unrestricted	2,210,827	3,931,056	2,830,311	3,142,581	5,041,138	7,073,637
Total net position	$ 43,681,853	$ 44,698,844	$ 9,209,166	$ 10,322,258	$ 52,891,019	$ 55,021,102

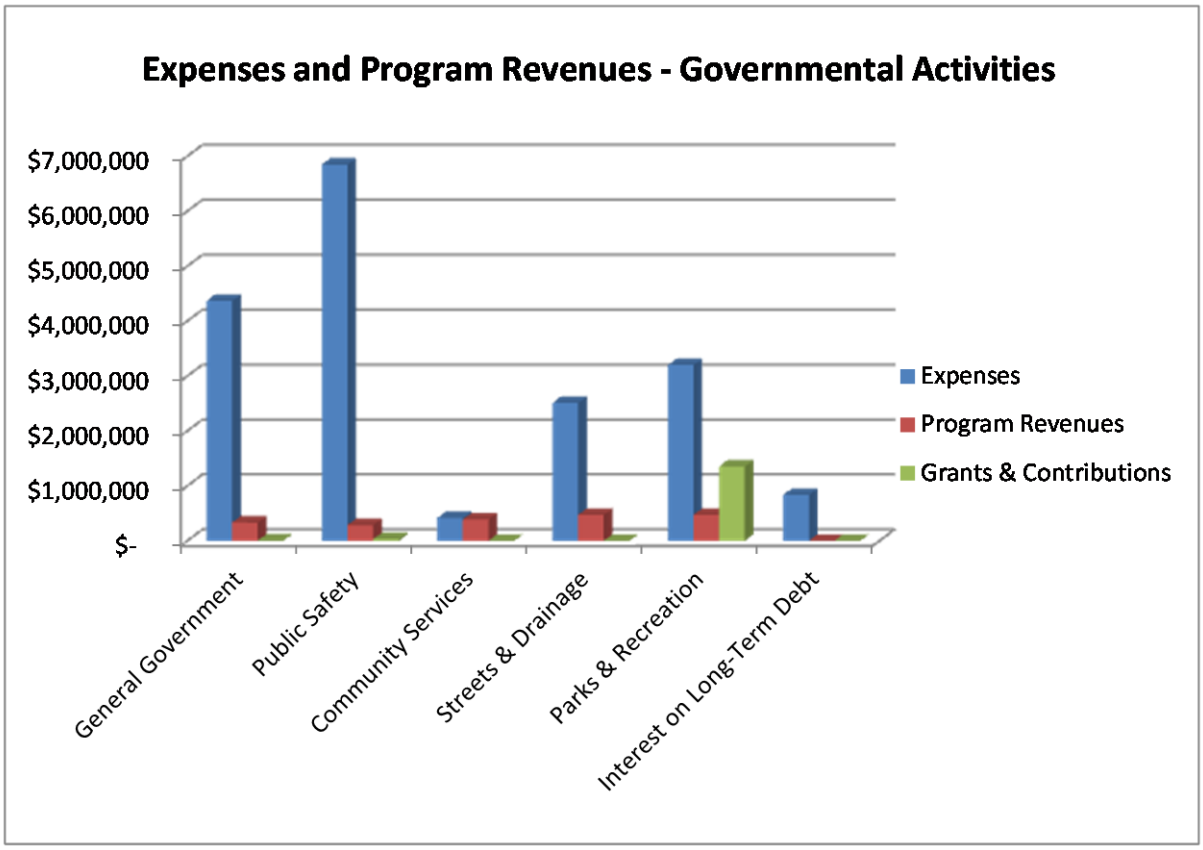
The following table (Table 2) provides a summary of the City's operations for the year ended September 30, 2015. Governmental activities increased the City's net position by $1,257,218 while business-type activities decreased the City's net position by $815,249, resulting in a net $441,969 increase in total net position. A prior period adjustment from a change in accounting principle resulted in a decrease in net position of the governmental activities and business-type activities of $2,274,209 and $297,843, respectively.

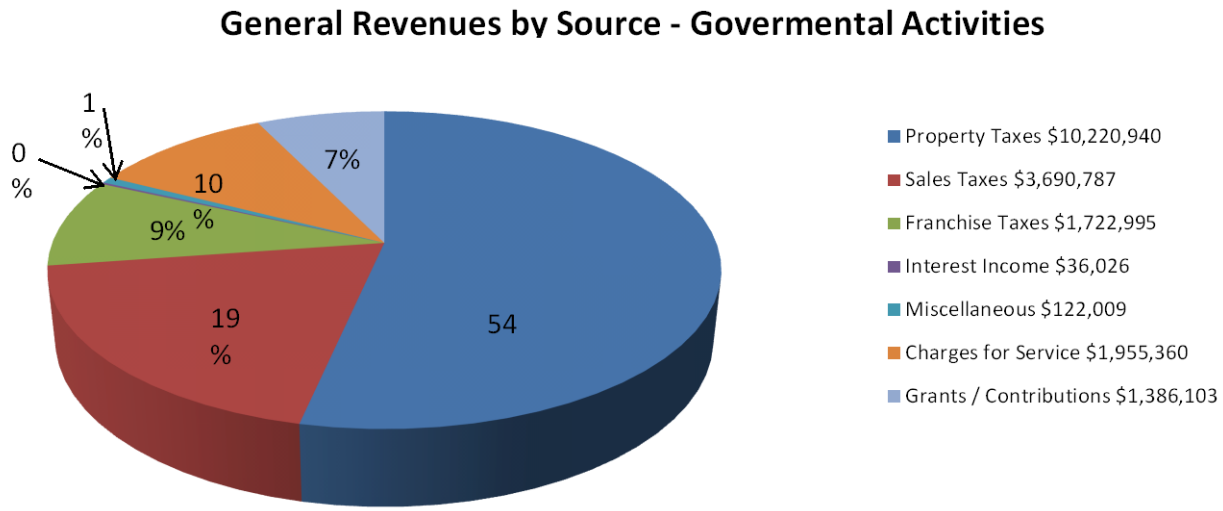
TABLE 2

CITY OF HIGHLAND VILLAGE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 1,955,360	$ 2,009,656	$ 7,888,614	$ 8,101,643	$ 9,843,974	$ 10,111,299
Operating grants and contributions	32,377	44,048	-	-	32,377	44,048
Capital grants and contributions	1,353,726	1,731,955	104,191	148,467	1,457,917	1,880,422
General revenues:			-	-		
Property taxes	10,220,940	9,726,985	-	-	10,220,940	9,726,985
Sales taxes	3,690,787	3,613,216	-	-	3,690,787	3,613,216
Franchise fees	1,722,995	1,720,762	-	-	1,722,995	1,720,762
Interest income	36,026	33,308	17,104	15,326	53,130	48,634
Gain on sale of asset	-	-	-	-	-	-
Miscellaneous	122,009	186,269	-	-	122,009	186,269
Total revenues	19,134,220	19,066,199	8,009,909	8,265,436	27,144,129	27,331,635
Expenses:						
General government	4,330,662	4,089,989	-	-	4,330,662	4,089,989
Public safety	6,848,781	6,361,961	-	-	6,848,781	6,361,961
Community services	415,562	389,300	-	-	415,562	389,300
Streets and drainage	2,546,268	3,157,921	-	-	2,546,268	3,157,921
Parks and recreation	3,199,678	3,199,066	-	-	3,199,678	3,199,066
Interest on long-term debt	836,051	887,123	-	-	836,051	887,123
Water and wastewater	-	-	8,525,158	8,530,306	8,525,158	8,530,306
Total expenses	18,177,002	18,085,360	8,525,158	8,530,306	26,702,160	26,615,666
Increases in net position before transfers	957,218	980,839	(515,249)	(264,870)	441,969	715,969
Transfers	300,000	300,000	(300,000)	(300,000)	-	-
Change in net position	1,257,218	1,280,839	(815,249)	(564,870)	441,969	715,969
Net position, beginning	44,698,844	43,418,005	10,322,258	10,887,128	55,021,102	54,305,133
Change in accounting principle	(2,274,209)	-	(297,843)	-	(2,572,052)	-
Net position, ending	$ 43,681,853	$ 44,698,844	$ 9,209,166	$ 10,322,258	$ 52,891,019	$ 55,021,102

Governmental activities. The City's expenses for governmental activities are detailed below – with associated program revenues.





Net position associated with governmental activities increased $1,257,218 in FY 2015 – this compared to a $1,280,839 increase in net position in FY 2014.

- FY 2015 revenues increased $68,021 from the previous year. Key elements of this increase is as follows:

    - Property taxes increased by $493,955 during the year. Most of this increase is the product of a 6.1% increase in the taxable assessed value of the property.

    - Sales tax revenue increased by $77,571 reflecting consumer spending remaining steady for the City's retail developments.

    - Charges for services decreased by $54,296. This decrease is largely related to a decrease in building permit revenues. While the number of permits was relatively unchanged from the previous year, the associated construction had lower valuation.

    - Miscellaneous reflected a $64,260 decrease, largely attributed to developer contributions applied in the previous year for FM 2499 landscaping and a turn-lane on Briarhill Blvd.

    - Capital grants and contributions decreased $378,229. Previously a $2.8M remediation grant was received from TxDOT, associated with loss of park land / access with widening of I-35. These funds were directed to construction of a new park and the fees have been recognized accordingly. The decrease for this year is reflective of recognition of the remainder of these proceeds.

- FY 2015 expenses increased $91,642 from FY 2014, reflecting inflation and increased service demand. The total expense amount of $18,177,002 was less than total revenues – creating a $957,218 increase before transfers. This compares to a $980,839 increase in FY 2014.

    - General government expenses increased by $240,673 related to:

        - City Manager Office ($124,194) largely related to City participation in a development for parking access adjacent to a City Park in the amount of $90,613. The remaining increase was related to a TMRS correction related to a discovered omission related to an employment contract.

        - Finance Department expenses reflected an increase of $124,792 related to personnel - addition of one full-time position and enhancement of an existing part-time position to full-time.

    - Street and Drainage expenses reflected a decrease of $611,653 resulting from additional expenditures in FY 2014 related to a major street overlay project.

    - Increases in Public Safety of $486,820 were primarily personnel related, with increased personnel expenses of $135,912 in the Fire Department resulting with addition of an Assistant Chief position coupled with increased personnel expenses of $325,513 in the Police Department related to addition of two police officers and a communications officer.

Business-type activities: Business-type activities reflected an $815,249 decrease in the City's net position – this compared to a $564,870 decrease in net position in FY 2014. Overall, expenses exceeded total revenues and transfers. Increases in water and wastewater expenses and decreased charges for services, were the primary drivers behind the decrease in net position.

- Charges for service decreased $213,029 from last year's total of $8,101,643. Water sales remained flat from the previous year, with a slight decrease of $8,844. The decrease was primarily related to sewer sales. Decreased water usage during winter months of 2014 resulted in a lower average basis utilized to determine sewer amounts (average usage over four winter months is used to determine a maximum billing usage in effect for the following year - with intent of excluding irrigation usage in summer months). This in turn resulted in a decrease of $207,450 in billed sewer revenues.

- Capital grants and contributions decreased $44,276 due to decreased collection of impact fees (collected at time of building permit).

- Expenses remained flat in total, reflecting a modest decrease of only $5,148 from last year. Reductions in Operations of $255,000 primarily related to FY 14 purchase and installation of a new Automated Metering Analytics (AMA) was offset by Wholesale Water / Wastewater increase of $265,000 mostly attributed to increased sewer effluent charges from the UTRWD. Significantly above average rainfall in 2015 resulted in flooding – in turn creating inflow / infiltration of floodwater into the sewer system, thus increasing effluent volume.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $8,369,132 a decrease of $5,420,832 in comparison with the prior year. Approximately 50 percent of this total amount, or $4,207,414, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for spending because it has already been restricted - $3,175,379, committed - $120,422, assigned - $865,468, or non-spendable - $449.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $4,207,414, while total fund balance was $5,073,331. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 29 percent of total General Fund expenditures, while total fund balance represents 35 percent of that same amount.

The original budget for FY 2015 reflected an $185,104 drawdown of fund balance, to fund capital equipment purchases – while still providing for sufficient reserve balances. Revenues were $33,978 above the budgeted amount, while expenditures in FY 2015 fell below the budgeted amount by $48,613. This coupled with an excess of $632,245 in other financing sources than budgeted provided an increase in fund balance of $529,732. Key factors affecting fund balance are as follows:

- Total General Fund revenues of $14,005,249 were increased from FY 2014 by $447,763.
    - Taxes reflected a $598,411 increase from FY 2014.
        - Property tax revenue increased $544,374 largely resulting from a 6.1% increase in assessed valuation.
        - Sales tax revenue increased $51,803, while franchise fees slightly increased $2,229.
    - Licenses, permits and fees decreased $48,132, largely related to decreased permits ($35,787) resulting from reduced building activity. Parks / Recreation fees also reflected a slight decrease of $10,561.
    - Miscellaneous revenues experienced a $64,260 decrease largely attributed to developer contributions applied in the previous year for FM 2499 landscaping and a turn-lane on Briarhill Blvd.
    - Fines and forfeitures decreased $33,251 as fewer citations were issued in FY 2015.
- Total General Fund expenditures of $14,473,044 represents a decrease of $538,330 from the previous year. The FY 2015 actual expenditures were $48,613 below the original budgeted amount.
    - Personnel expenditures increased $763,165 from FY 2014 resulting from increased benefit and personnel costs and addition of five new positions.
    - Services / Supplies expenditures decreased by $524,177.
        - Street Maintenance decreased by $610,179, related to a large street overlay project (Highland Village Road) accomplished in FY 2014.
        - A $90,613 expenditure was made in FY 15 for City participation in a development to provide increased public parking adjacent to a City park.
        - Parks Maintenance expenditures decreased $37,194 resulting from the above-average rainfall during the Spring season, thus limiting ability to accomplish some of the expected maintenance in the parks.

- Capital Outlay expenditures increased by $299,342 in FY 2015, primarily related to acquisition of a replacement fire engine. The fire engine expenditure was partially offset by a decrease in FY 2015 Street Department capital expenditures - as FY 14 included acquisition of a loader, as well as costs associated with addition of turn lanes at the intersection of FM 407 and Briarhill Blvd.

- Total Other Financing Sources (Uses) reflected a net total of $997,527 – a $678,251 increase from FY 2014. Base elements of this total include a transfer in from the Utility Fund of $300,000, a transfer in of $19,663 from the Public Safety Fund related to received Child Safety Fees to be utilized for expenditures related to funding Crossing Guards (paid from the General Fund), transfers in of $28,000, and $16,000 respectively, from the Highland Village Economic Development Corporation and Drainage Utility Fund for support functions provided by the General Fund, and a transfer out of $16,000 to the Drainage Utility Fund for the City's drainage fees. The majority of increase in FY 2015 was $633,506 for issuance of a capital lease related to acquisition of a replacement fire engine.

The Debt Service Fund has a total fund balance of $154,343, a decrease of $13,697, all of which is restricted for the payment of debt service.

The Highland Village Community Development Fund has a total fund balance of $2,349,085, a $5,707,799 decrease from FY 2014. Last year fund balance included a debt issue of $6.7M received during the year, primarily earmarked for construction of Doubletree Ranch Park. Accordingly, expenditures relating to the construction of the park in FY 2015 are the primary reason for the decrease in FY 2015.

Remaining governmental funds reported a combined ending fund balance of $792,373, reflecting an decrease of $229,068.

- Revenues for these funds reflected a slight decrease of $6,221 from the previous year.

- Combined expenditures increased $230,443. The increase is primarily related to capital expenditures in the Capital Projects Fund of $250,547, associated with reconstruction of a segment of Sellmeyer Lane.

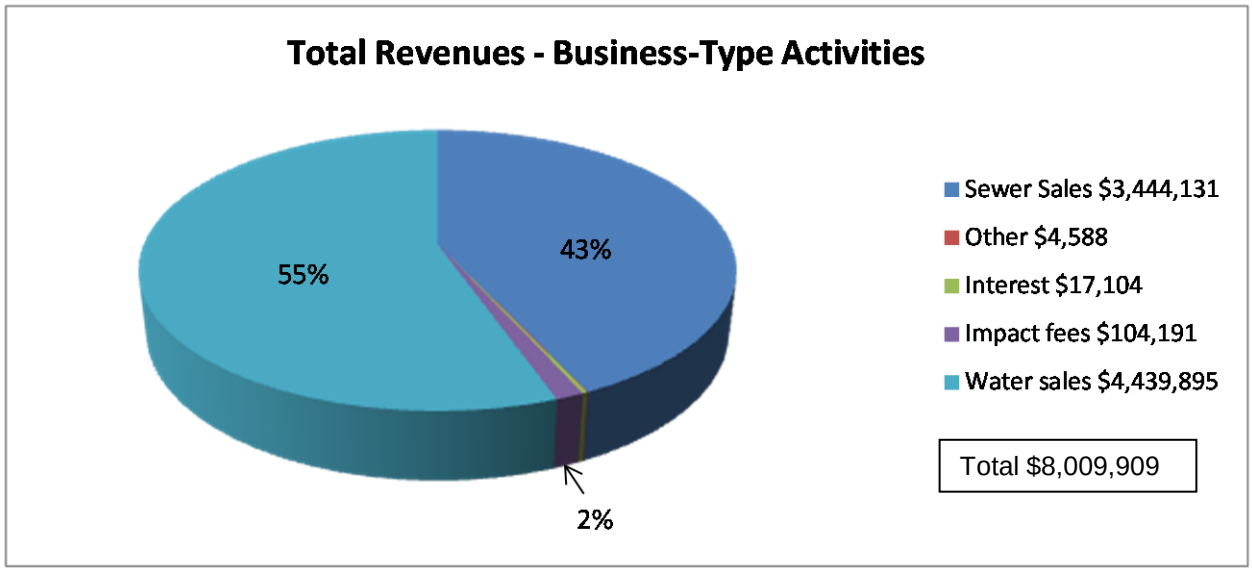
Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position in the Enterprise Fund totaled $9,209,166 at the end of the fiscal year 2015, a decrease of $815,249, or 7.9%, coupled with a reduction of $297,843 due to a change in accounting principle. Included in net position is $859,804 restricted for capital projects and unrestricted net position of $2,830,311. The remaining net position balance of $5,519,051 consists of net investments in capital assets.

- Utility operating revenues of $7,888,614 reflected a decrease of $213,029 or 2.6%, in FY 2015.

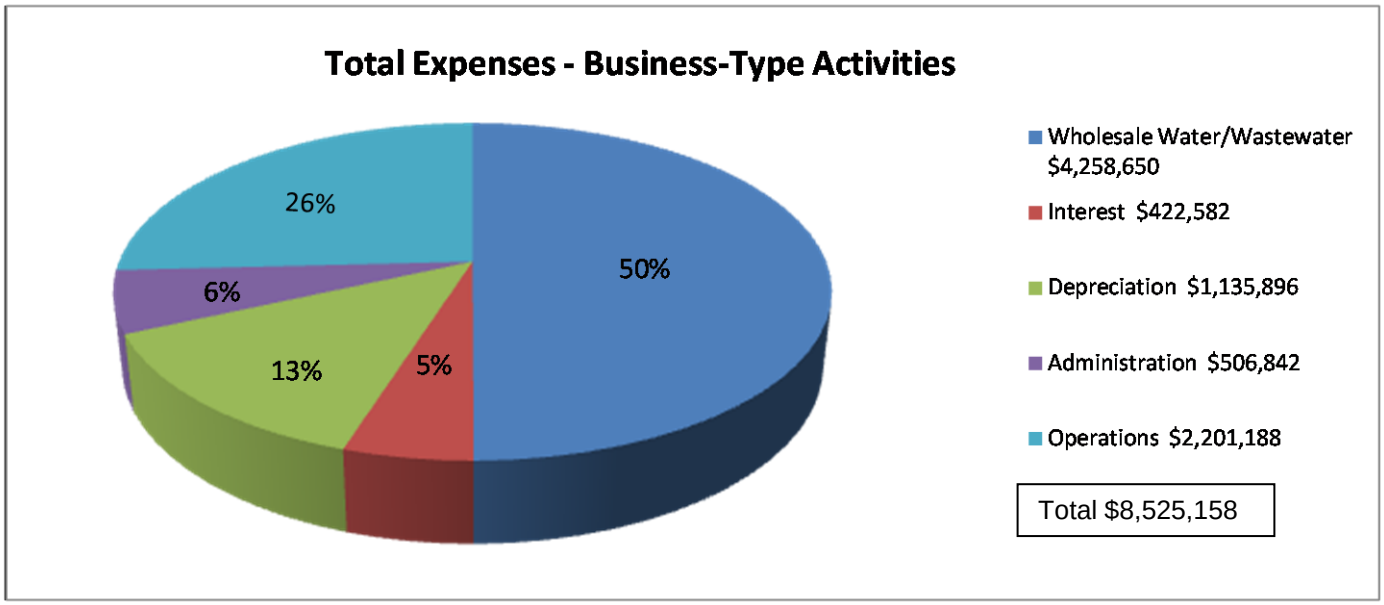
  - Water sales decreased $8,844.

  - Sewer sales decreased $207,450.



Utility operating expenses of $8,102,576 increased $18,686, or 0.2%.

- Administration expenses decreased $28,219 in FY 2015.
- Maintenance and Operations increased $10,591.
    - Wholesale water / sewer treatment cost increased $265,830.
    -
    - Personnel expenses increased $12,398.
    - Services and supplies decreased $267,637 primarily due to decreased system maintenance – particularly water meter maintenance, as last year included expenditures related to replacement of the automated meter reading system.
- Depreciation increased in FY 2015 by $36,314.



GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2014-2015, the City Council of the City of Highland Village amended the budget for the General Fund on one occasion, resulting in an increase in budgeted expenditures of $746,450. The majority of these appropriations relate to actions taken to fund unbudgeted items during the fiscal year, including the acceptance of grants during the year.

Staff reviewed each supplemental appropriation throughout the year and determined that revenues provided sufficient reserves to recommend their increase. All budget amendments presented had offsetting reductions, except for those that were previously encumbered.

For fiscal year 2014-2015, actual expenditures on a budgetary basis were $14,473,044. This total was less than the original budgeted expenditures of $14,521,657 by $48,613, however $795,063 below the revised budget. The supplemental requests approved during the year are summarized following:

- Personnel expenditures decreased by a total of $143,000 which consists of decreases in the Human Resource ($30,000), Police ($140,000). Fire ($18,000), Streets ($25,000, and Parks ($7,000) Departments, offset by increases in the City Manager ($64,000), and City Secretary ($13,000) Departments.

- Increased Services / Supplies

    - Finance Dept - Increased $26,000 due to IT study follow-up and increased bank charges.

    - Police Dept - Increased $85,000 largely due to one-time expenditure for Radio system consulting and evaluation (Mission Critical Partners).

    - Fire Department - The budget appropriation increased $140,000 to address a capital lease payment for a fire engine.

- Community Services – Increased $18,950 for increased Professional Services due to higher than anticipated plan review fees and Tools and Supplies due to office remodeling expenditures.

- Parks and Recreation - Increased $17,000 for beautification related to plant replacements on Highway FM2499, and Contract Labor due to seasonal temporary labor .

- Streets - Increased $704,500 due to the overlay of Highland Village Road and Highland Shores traffic study.

- Reduced appropriation in the City Manager, City Secretary, and Maintenance departments of $20,000, $41,000, and $45,000 respectively, for professional services, outside meeting budgets and decreased cost for fuels.

- Increased Capital

    - Parks – Increased $4,000 due to the construction of landscaping on FM 2499 (carried over from FY2014).

Actual revenue on a budgetary basis was $14,005,249 compared to the original budget of $13,971,271, providing a positive variance of $33,978, however slightly below the revised budget of $14,071,271 by $66,022. Actual tax revenues were $204,977 less than the budget amount. This was partially offset by collected licenses, permits and fees being $90,452 more than budgeted. Also, items exceeding budgeted amounts were realized intergovernmental revenues / miscellaneous of $66,420 – largely composed of reimbursements and grants associated with landscaping along FM 2499, and Charges for Service (40,542) - largely related to increased EMS fees collected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets, for its governmental and business-type activities as of September 30, 2015, amounted to $79,512,403 (net of accumulated depreciation). This investment in capital assets includes land, building, park facilities, roads, bridges, water and sewer lines, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Project	Amount
Castlewood Trail	$1,146,553
Lakeside Community Park	671,115
2015 Pierce Fire Engine	633,506
Briarhill Boulevard Turn Lanes	275,516
Manhole Restoration Phase II	234,469
Vacuum Excavator	49,958
2014 Ford Super Duty	49,502
2015 Ford Super Duty	48,004
Physio-Control Lifepak 15	41,910
Fitness Equipment at Unity Park	37,284
2014 Ford F250 Super Duty	35,559
ISG – Infrasys Thermal Imaging	35,115
Toro Sand Pro 3040	26,069
Pilot Knoll Park Camp Site Electrical	23,949
2014 Ford F150	21,743
Kids Kastle Fence Replacement	20,996

TABLE 3

CITY OF HIGHLAND VILLAGE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	$ 17,183,848	$ 17,183,848	$ 75,713	$ 75,713	$ 17,259,561	$ 17,259,561
Land improvements	10,115,048	8,896,352	-	-	10,115,048	8,896,352
Buildings and improvements	6,799,473	7,500,454	1,149,469	1,221,769	7,948,942	8,722,223
Distribution system	-	-	12,332,470	13,066,349	12,332,470	13,066,349
Equipment and machinery	2,044,556	1,602,994	281,527	248,382	2,326,083	1,851,376
Infrastructure	18,705,790	19,421,933	11,677	12,292	18,717,467	19,434,225
Intagibles	35,332	52,817	17,668	22,183	53,000	75,000
Construction in progress	8,254,557	2,778,842	2,505,275	281,095	10,759,832	3,059,937
Total capital assets	$ 63,138,604	$ 57,437,240	$ 16,373,799	$ 14,927,783	$ 79,512,403	$ 72,365,023

Additional information on the City's capital assets can be found in Note D on page 45-46 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds outstanding of $36,265,000. Of this amount, $23,695,000 is tax-supported debt. The remainder of the City of Highland Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

TABLE 4

CITY OF HIGHLAND VILLAGE'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligations	$ 9,545,000	$ 10,630,000	$ 3,515,000	$ 4,130,000	$ 13,060,000	$ 14,760,000
Combination Tax and Revenue Certificates of Obligation	14,150,000	14,890,000	9,055,000	9,300,000	23,205,000	24,190,000
	$ 23,695,000	$ 25,520,000	$ 12,570,000	$ 13,430,000	$ 36,265,000	$ 38,950,000

The City's total debt decreased by $2,685,000 during the current fiscal year. The key factor in this decrease was a result of schedule debt payments.

The City's tax supported debt is rated "AA+" by Standards & Poor's and "AA" by Fitch Ratings. The current ratio of tax-supported debt to assessed value of all taxable property is 1.3 percent.

Additional information on the City's outstanding debt can be found in Note G on page 50 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2015-2016 budget incorporates no increase in the property tax rate. It remains at $.56963 per $100 valuation.

The FY 2016 operating budget increased by 9.00%, or $1,299,869, from the FY 2015 budget. In general, personnel related costs increased $745,757, services / supplies costs increased $738,912 and capital costs decreased $184,800.

The personnel increase is primarily attributable to addition of seven new positions: two new police officers, three new firefighter / paramedics and two IT positions – these resulting in increased personnel costs of $368,976. In addition, general salary increases of $187,442, increased premiums for TMRS of $69,642 and increased health insurance of $140,139 accounted for the majority of the remainder.

Services / Supplies had increased expenditures of $738,912:

- Professional Services - $170,738 increase
    - $115,206 increase in maintenance contracts related to new street sweeping program.
    - $49,877 increase in professional services for IT consultation.
- Employee Development - $26,351 increase
    - $30,400 increase in Training and Education for Information Services area,
    - Dues and Memberships /job advertising decreased by $7,369.

- Supplies / Equipment - $47,902 increase
    - $32,883 increase largely related to replacement radios
    - $24,150 increase in uniforms
    - $13,242 decrease in fuel costs
    - 40,800 increase in tools / supplies
    -
    - $50,500 decrease in buildings and grounds maintenance
- Utilities - $749 decrease
- Other – $494,671 increase (this category generally contains items that are specific to a department such as street maintenance, animal control, data processing, etc.):
    - Data Processing Equipment and Supplies decreased by $74,561.
    - Street Maintenance increased $500,000 to fund overlay of Highland Village Road.
    - Capital Lease Payments increased $130,000 related to lease / purchase of replacement fire engine in previous year.

Capital budgeted expenditures of $356,500 reflect a decrease of $184,800 from the FY 2015 budget of $541,300. Capital expenditures generally include equipment costing $5,000 or greater with a useful live exceeding five years. The City maintains an equipment replacement schedule to target equipment each year in need of replacement based on established replacement criteria. Budgeted expenditures for FY 2016 includes a replacement ambulance for the Fire Department ($70,000 for first year of three year lease purchase), a storage area network device ($62,000), two mowers ($50,000), pickup for Street Dept. ($45,000), and AED replacements ($23,500).

Supplemental funding of $106,000 was provided for the following capital items:

- Load Assist Stryker Power Cot ($25,000) - lift assist ambulance cot
- New vehicle for the Police Department ($50,000) associated with addition of two new officers
- Bucket Truck ($25,000) – Purchase used truck to eliminate frequent rental
- Storage container ($6,000) – To be used for storage in maintenance area

While anticipated revenues are expected to increase, the increases planned in expenditures - coupled with utilization of surplus funds on hand for capital purchases will be sufficient to maintain the City's desired financial position.

The City's financial policies require the City to maintain a fund balance equivalent to 15% of General Fund expenditures. The ending fund balance percentage anticipated for FY 2016 is 24%.

Information on subsequent events are detailed in Note K on page 57 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Highland Village, Finance Department, 1000 Highland Village Road, Highland Village, TX, 75077.

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BASIC
FINANCIAL STATEMENTS

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CITY OF HIGHLAND VILLAGE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 9,114,753	$ 1,791,694	$ 10,906,447
Receivables (net of allowances for uncollectibles)			
Taxes	1,196,174	-	1,196,174
Accounts	118,651	1,749,493	1,868,144
Intergovernmental	104,802	-	104,802
Other	12,444	9,307	21,751
Inventories and prepaid items	449	192,175	192,624
Restricted cash and investments:			
Reserved bond debt service	-	559,138	559,138
Capital improvements	-	2,383,548	2,383,548
Construction	-	859,804	859,804
Customer deposits	-	260,393	260,393
Capital assets:			
Nondepreciable	25,438,405	2,580,988	28,019,393
Depreciable, net	37,700,199	13,792,811	51,493,010
Total capital assets	63,138,604	16,373,799	79,512,403
Total assets	73,685,877	24,179,351	97,865,228
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	190,643	165,408	356,051
Deferred outflows related to pensions	1,032,404	135,209	1,167,613
Total deferred outflows of resources	1,223,047	300,617	1,523,664
LIABILITIES			
Accounts payable	1,014,973	1,380,055	2,395,028
Accrued liabilities	534,458	102,529	636,987
Retainage payable	350,550	106,185	456,735
Unearned revenue	400,247	-	400,247
Accrued interest	103,511	51,694	155,205
Customer deposits	-	260,393	260,393
Current portion of long-term obligations	2,761,019	1,007,684	3,768,703
Noncurrent portion of long-term obligations	26,054,795	12,361,277	38,416,072
Total liabilities	31,219,553	15,269,817	46,489,370
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	7,518	985	8,503
Total deferred inflows of resources	7,518	985	8,503
NET POSITION			
Net investment in capital assets	40,160,271	5,519,051	45,679,322
Restricted for:			
Debt service	62,822	-	62,822
Community development	968,043	-	968,043
Public safety	84,158	-	84,158
Utility drainage	165,456	-	165,456
Public broadcasting	30,276	-	30,276
Capital projects	-	859,804	859,804
Unrestricted	2,210,827	2,830,311	5,041,138
Total net position	$ 43,681,853	$ 9,209,166	$ 52,891,019

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 4,330,662	$ 331,895	$ 2,700	$ -
Public safety	6,848,781	285,879	29,677	-
Community services	415,562	388,580	-	-
Streets and drainage	2,546,268	474,492	-	-
Parks and recreation	3,199,678	474,514	-	1,353,726
Interest on long-term debt	836,051	-	-	-
Total governmental activities	18,177,002	1,955,360	32,377	1,353,726
Business-type activities:				
Water and wastewater	8,525,158	7,888,614	-	104,191
Total business-type activities	8,525,158	7,888,614	-	104,191
Total primary government	$ 26,702,160	$ 9,843,974	$ 32,377	$ 1,457,917

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Franchise
  - Sales
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Change in accounting principle

Net position - beginning as restated

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$(3,996,067)	$ -	$(3,996,067)
(6,533,225)	-	(6,533,225)
(26,982)	-	(26,982)
(2,071,776)	-	(2,071,776)
(1,371,438)	-	(1,371,438)
(836,051)	-	(836,051)
(14,835,539)	-	(14,835,539)
-	(532,353)	(532,353)
-	(532,353)	(532,353)
(14,835,539)	(532,353)	(15,367,892)
8,433,142	-	8,433,142
1,787,798	-	1,787,798
1,722,995	-	1,722,995
3,690,787	-	3,690,787
36,026	17,104	53,130
122,009	-	122,009
300,000	(300,000)	-
16,092,757	(282,896)	15,809,861
1,257,218	(815,249)	441,969
44,698,844	10,322,258	55,021,102
(2,274,209)	(297,843)	(2,572,052)
42,424,635	10,024,415	52,449,050
$ 43,681,853	$ 9,209,166	$ 52,891,019

CITY OF HIGHLAND VILLAGE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General	Debt Service	Community Development Corporation	Other Governmental	Total Governmental Funds
ASSETS					
Cash and investments	$ 5,231,364	$ 154,343	$ 2,414,864	$ 1,314,182	$ 9,114,753
Receivables (net of allowances for uncollectibles):					
Taxes	981,586	11,990	202,598	-	1,196,174
Accounts	118,651	-	-	-	118,651
Intergovernmental	103,979	-	-	823	104,802
Other	-	-	-	12,444	12,444
Prepaid items	449	-	-	-	449
Total assets	6,436,029	166,333	2,617,462	1,327,449	10,547,273
LIABILITIES					
Accounts payable	596,552	-	264,134	154,287	1,014,973
Accrued liabilities	508,491	-	4,243	21,724	534,458
Unearned revenue	41,182	-	-	359,065	400,247
Total liabilities	1,146,225	-	268,377	535,076	1,949,678
DEFERRED INFLOWS OF RESOURCES					
Unavailable:					
Property taxes	51,444	11,990	-	-	63,434
Municipal court fines	67,856	-	-	-	67,856
Ambulance	21,425	-	-	-	21,425
Grants	75,748	-	-	-	75,748
Total deferred inflows of resources	216,473	11,990	-	-	228,463
FUND BALANCES					
Nonspendable - prepaid items	449	-	-	-	449
Restricted for:					
Debt service	-	154,343	-	-	154,343
Public parks, recreation, and related projects	-	-	2,349,085	-	2,349,085
Public safety - law enforcement operations	-	-	-	84,158	84,158
Utility drainage operations	-	-	-	165,456	165,456
Capital projects	-	-	-	392,061	392,061
Public broadcasting	-	-	-	30,276	30,276
Committed - park development and maintenance	-	-	-	120,422	120,422
Assigned for:					
Subsequent year's budget	194,674	-	-	-	194,674
Finance - professional services	53,506	-	-	-	53,506
Public safety - police - services and supplies	81,811	-	-	-	81,811
Public safety - fire - fire truck payment	532,787				532,787
Streets - maintenance and professional services	2,521	-	-	-	2,521
Maintenance - supplies	111	-	-	-	111
Parks - maintenance and supplies	58	-	-	-	58
Unassigned	4,207,414	-	-	-	4,207,414
Total fund balances	5,073,331	154,343	2,349,085	792,373	8,369,132
Total liabilities, deferred inflows of resources, and fund balances	$ 6,436,029	$ 166,333	$ 2,617,462	$ 1,327,449	$ 10,547,273

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

Total fund balance, governmental funds		$ 8,369,132
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		62,788,054
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		
Property taxes	$ 63,434	
Ambulance fees	21,425	
Court fines	67,856	
Grant	75,748	
		228,463
Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and are therefore not reported in the funds. Loss on refunding of bonds and the premium on issuance of bonds is also not included in the funds. The details of these differences are as follows:		
Bonds payable	(23,695,000)	
Deferred amount on refunding	190,643	
Issuance premium	(393,023)	
Accrued interest	(103,511)	
Capital lease obligation	(503,506)	
Compensated absences	(973,484)	
		(25,477,881)
Included in the items related to long-term liabilities is the recognition of the City's net pension liability and deferred outflow and inflow of resources related to pensions.		
Deferred outflow related to pensions	1,032,404	
Deferred inflow related to pensions	(7,518)	
Net pension liability	(3,250,801)	
		(2,225,915)
Net position of governmental activities in the statement of net position		$ 43,681,853

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General	Debt Service	Community Development Corporation	Other Governmental	Total Governmental Funds
REVENUES					
Taxes	$ 12,642,232	$ 1,786,494	$ 1,197,263	$ -	$ 15,625,989
Fines and forfeitures	124,932	-	-	-	124,932
Licenses, permits and fees	765,727	-	11,934	788,268	1,565,929
Intergovernmental	69,420	-	1,183,964	181,851	1,435,235
Charges for services	253,851	-	-	-	253,851
Investment earnings	27,078	211	6,112	2,625	36,026
Miscellaneous	122,009	-	-	-	122,009
Total revenues	14,005,249	1,786,705	2,399,273	972,744	19,163,971
EXPENDITURES					
Current:					
General government:					
City manager	678,884	-	-	-	678,884
Finance	1,898,639	-	-	45,773	1,944,412
Human resources	419,554	-	-	-	419,554
City secretary	272,209	-	-	-	272,209
Maintenance	822,058	-	-	-	822,058
Public safety:					
Police	3,999,056	-	-	6,121	4,005,177
Fire	2,206,865	-	-	-	2,206,865
Community services	401,541	-	-	-	401,541
Streets and drainage	898,745	-	-	454,025	1,352,770
Parks and recreation	1,764,456	-	261,799	351,941	2,378,196
Debt service:					
Principal	130,000	1,825,000	-	-	1,955,000
Interest and other charges	-	863,286	-	-	863,286
Capital outlay	981,037	-	6,929,389	307,931	8,218,357
Total expenditures	14,473,044	2,688,286	7,191,188	1,165,791	25,518,309
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(467,795)	(901,581)	(4,791,915)	(193,047)	(6,354,338)
OTHER FINANCING SOURCES (USES)					
Issuance of capital lease	633,506	-	-	-	633,506
Transfers in	380,021	887,884	-	16,000	1,283,905
Transfers out	(16,000)	-	(915,884)	(52,021)	(983,905)
Total other financing sources and uses	997,527	887,884	(915,884)	(36,021)	933,506
NET CHANGE IN FUND BALANCES	529,732	(13,697)	(5,707,799)	(229,068)	(5,420,832)
FUND BALANCES, BEGINNING	4,543,599	168,040	8,056,884	1,021,441	13,789,964
FUND BALANCES, ENDING	$ 5,073,331	$ 154,343	$ 2,349,085	$ 792,373	$ 8,369,132

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds:		$(5,420,832)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives as depreciation expense. This is the amount by which capital outlay ($8,568,905) exceeded depreciation ($2,867,541) in the current period.		5,701,364
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:		
Property taxes	$ 8,733	
Ambulance fees	2,190	
Court fines	8,458	
Grants	(49,132)	
		(29,751)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and tax note principal is an expenditure in the gpvernmental funds, but the repayment reduces long-term liabilities on the statement of net position. This is the amount by which the proceeds exceeded repayments.		
Payments on bonds	1,825,000	
Payments on capital lease	130,000	
Issuance of capital lease	(633,506)	
		1,321,494
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension liability were amortized.		48,294
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(40,036)	
Retainage payable	(350,550)	
Accrued interest	7,625	
Amortization of deferred loss of refunding bonds	(28,000)	
Amortization of premium on bond issuances	47,610	
		(363,351)
Change in net position of governmental activities		$ 1,257,218

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF NET POSITION

ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2015

(With Comparative Totals as of September 30, 2014)

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,791,694	$ 2,307,264
Accounts receivable, net	1,749,493	1,575,505
Other receivables	9,307	8,571
Inventories	187,610	203,092
Prepaid items	4,565	4,565
Restricted cash and investments:		
Reserve bond debt service	559,138	432,051
Capital improvements	2,383,548	4,916,949
Construction	859,804	854,369
Customer deposits	260,393	260,468
Total current assets	7,805,552	10,562,834
Non-current assets:		
Capital assets:		
Nondepreciable capital assets	2,580,988	356,808
Depreciable capital assets, net of accumulated depreciation	13,792,811	14,570,975
Total capital assets	16,373,799	14,927,783
Total non-current assets	16,373,799	14,927,783
Total assets	24,179,351	25,490,617
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	165,408	198,985
Deferred outflows related to pensions	135,209	-
Total deferred outflows of resources	300,617	198,985
LIABILITIES		
Current liabilities:		
Accounts payable	1,380,055	1,109,610
Accrued expenses	102,529	97,803
Accrued interest	51,694	54,347
Retainage payable	106,185	15,935
Customer deposits	260,393	260,468
Current portion of long-term obligations	1,007,684	995,704
Total current liabilities	2,908,540	2,533,867
Non-current liabilities:		
Noncurrent portion of long-term obligations	12,361,277	12,833,477
Total non-current liabilities	12,361,277	12,833,477
Total liabilities	15,269,817	15,367,344
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	985	-
Total deferred inflows of resources	985	-
NET POSITION		
Net investment in capital assets	5,519,051	6,325,308
Restricted for capital projects	859,804	854,369
Unrestricted	2,830,311	3,142,581
Total net position	$ 9,209,166	$ 10,322,258

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015
(With Comparative Totals For the Year Ended September 30, 2014)

	2015	2014
REVENUES		
Charges for services	$ 7,888,614	$ 8,101,643
Total operating revenues	7,888,614	8,101,643
OPERATING EXPENSES		
Administration	506,842	535,061
Maintenance and operations	6,459,838	6,449,247
Depreciation	1,135,896	1,099,582
Total operating expenses	8,102,576	8,083,890
OPERATING INCOME (LOSS)	(213,962)	17,753
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	17,104	15,326
Interest expense	(422,582)	(446,416)
Total non-operating revenues (expenses)	(405,478)	(431,090)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(619,440)	(413,337)
CAPITAL CONTRIBUTIONS	104,191	148,467
TRANSFERS OUT	(300,000)	(300,000)
CHANGE IN NET POSITION	(815,249)	(564,870)
TOTAL NET POSITION, BEGINNING	10,322,258	10,887,128
CHANGE IN ACCOUNTING PRINCIPLE	(297,843)	-
TOTAL NET POSITION, BEGINNING AS RESTATED	10,024,415	10,887,128
TOTAL NET POSITION, ENDING	$ 9,209,166	$ 10,322,258

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS

ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

(With Comparative Totals For the Year Ended September 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 7,713,815	$ 8,194,264
Cash paid to suppliers for goods and services	(5,234,781)	(5,316,647)
Cash paid to employees for services	(1,443,422)	(1,322,409)
Net cash provided by operating activities	1,035,612	1,555,208
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(300,000)	(300,000)
Net cash used for noncapital financing activities	(300,000)	(300,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	4,557,430
Proceeds from sale of capital assets	1,262	-
Acquisition of capital assets	(2,583,174)	(1,051,041)
Principal paid on bonds	(860,000)	(840,000)
Capital contributions	104,191	148,467
Interest and fiscal charges paid on debt	(425,966)	(450,284)
Net cash used by capital and related financing activities	(3,763,687)	2,364,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	17,104	15,326
Net cash provided by investing activities	17,104	15,326
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,010,971)	3,635,106
CASH AND CASH EQUIVALENTS, BEGINNING	8,771,101	5,135,995
CASH AND CASH EQUIVALENTS, ENDING (Including $4,062,883 and $6,463,837 reported as restricted cash and investments)	$ 5,760,130	$ 8,771,101

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS

ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

(With Comparative Totals For the Year Ended September 30, 2014)

	2015	2014
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$(213,962)	$ 17,754
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,135,896	1,099,581
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	(173,988)	95,430
Other receivables	(736)	(4,389)
Inventories	15,482	10,337
Prepaid and other assets	-	(565)
Deferred outflow related to pensions	(44,254)	-
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	270,445	318,387
Accrued liabilities	4,726	23,143
Customer deposits	(75)	1,580
Compensated absences	8,345	(6,050)
Net pension liability	32,748	-
Deferred inflow related to pensions	985	-
Net cash provided by operating activities	$ 1,035,612	$ 1,555,208

The notes to the financial statements are an integral part of this statement.

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1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies.

A. Reporting Entity

The City of Highland Village adopted a Home Rule Charter in April 1985, and operates under a Council-Manager form of government. All powers of the City are vested in an elected Council, which enacts local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of seven members, a mayor and six Councilpersons elected by the City's residents.

The City's Comprehensive Annual Financial Report presents the financial position, changes in financial position and cash flows where applicable of the City. The reporting entity is the primary government and those component units for which the primary government is financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

City of Highland Village voters, in November 2004, approved, in a special election, the creation of the Highland Village Community Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation, and projects from revenues derived from a one-half cent sales tax within the City of Highland Village. The City Council appoints a board and board members are removable by the City Council, for cause or at will. Four out of seven board members are on City Council. In the event of dissolution title of all the assets transfer to the City. The operational responsibility of the Community Development Corporation is managed essentially the same manner as other City programs and activities. The Community Development Corporation is reported as a Special Revenue Fund. Financial statement information can be obtained by contacting the Highland Village Community Development Corporation, 1000 Highland Village Rd., Highland Village, Texas 75077.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the operating fund of the City. It is utilized to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund – is utilized to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Community Development Corporation – is utilized to account for the use of 4B sales tax revenues that must be used in compliance with statutory restrictions set forth by the state legislature.

The City reports the following major proprietary fund:

Enterprise – Water and Wastewater Fund – is used to account for the water and wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include administration, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

Cash and Investments

For the purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less.

Investments for the City are reported at fair value except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade receivables are shown net of allowance for uncollectible accounts based on an analysis of historical trends.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is 60 days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

Unbilled Services

Utility operating revenues (water, sewer and refuse collection) are billed on monthly cycles. Customers are billed for periods ending the 15th of each month on the last day of the month. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "reserve bond debt service" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "construction funds" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

Impact fees collected from developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development are set aside in the "capital improvements" account.

Deposits collected from utility customers are set aside until repayment.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets within an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or an estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation expense is calculated principally on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

Assets	Years
Infrastructure	40
Buildings	30
Distribution system	20
Machinery and equipment	5 - 10

Accrued Vacation

It is the City's policy to grant employees vacation leave earned at the rate of 10 days a year for at least one but less than 5 years continuous service, 15 days for at least 5 but less than 10 years continuous service, and 20 days for at least 10 years continuous service. Upon termination, the employee shall be paid at the hourly rate of pay such employee was earning on the effective date of termination.

The City also grants employees sick leave earned at the rate of 12 days a year. Upon termination, employees are paid for one-half of the actual number of days earned up to a maximum of 45 days. Obligations under compensated absence arrangements are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City utilizes the last-in first-out method of recognizing the use of compensated absences. Thus, unless it is anticipated that compensated absences of governmental fund types will be used/paid in excess of a normal year's accumulation, no amount is classified as current.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, municipal court fines, ambulance, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City also has one type of this item that is recorded under the full accrual basis of accounting. It is the difference in expected and actual pension experience. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by Ordinance of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council. The City does not have assigned fund balance at year-end.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of debt related to capital assets and accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data and Reclassifications

Comparative total data for the prior year is presented only for the Enterprise Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Prior Period Adjustment

The GASB has issued Statement No. 68, "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27,*" which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restatement of beginning net position for recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying these changes results in decreased beginning net position as of October 1, 2014, as follows.

	Government-wide Statement of Activities		Fund Level Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds
	Governmental Activities	Business-type Activities	Utility Fund
Net position at September 30, 2014, as previously reported	$ 44,698,844	$ 10,322,258	$ 10,322,258
Recording of net pension liability as of September 30, 2014	(2,992,265)	(391,884)	(391,884)
Deferral for pension contributions made after the measurement date	718,056	94,041	94,041
Net position at September 30, 2014, as restated	$ 42,424,635	$ 10,024,415	$ 10,024,415

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits and investments are made in accordance with the provisions of the bank depository agreement or in any negotiable instrument the Council has authorized under the City's approved investment policy and the provisions of the Public Funds Investment Act of 1987, as amended. Deposits and investments may be made with or through the following institutions:

a. Federally insured banks domiciled in the State of Texas; and

b. Primary or regional brokers or security dealers that qualify under Securities and Exchange Commission Rule 15C 3-1.

City funds may be invested in the following:

a. Obligations of the United States or its agencies and instrumentalities;

b. Direct obligations of the State of Texas or its agencies;

c. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;

d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

e. Certificates of deposit issued by state and national banks domiciled in this state that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successors or secured with collateral.

f. Fully collateralized direct repurchase agreements having a defined termination date, secured by approved obligations, pledged with a third party selected or approved by the political entity, and placed through a primary government securities dealer, as domiciled in this state; or a public fund investment pool.

In addition to investment in obligations, certificates or agreements described above, City bond proceeds may be invested in common trust funds or comparable investment devices owned or administered by banks domiciled in Texas.

The City's investment policies are governed by state statutes and City ordinance. Collateral is required for all deposits and investments not covered by federal deposit insurance in accordance with the Public Funds Collateral Act.

The City's cash deposits in the bank on September 30, 2015, were covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Investments held at year-end are as follows:

	Fair Value	Weighted Average Maturity (Days)
TexPool	$ 1,992,797	40
TexStar	3,394,664	56
Total investments	$ 5,387,462	

Cash and investments are reported as restricted assets as required by debt issues and City ordinance. The monies in government investment pools represent investments in TexPool and TexStar, investment pools for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

J.P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

Both TexPool and TexStar are rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review. TexPool and TexStar operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool and TexStar use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value is the same as the value of shares.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments are with TexPool and TexStar with maturities of less than one year.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investment pools' policies require a rating of AA or better from a nationally recognized rating agency.

Concentration of Credit Risk. The City's investments are issued or explicitly guaranteed by external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times.

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor governmental funds, including the applicable allowance for estimated uncollectible accounts, are as follows:

	General	Debt Service	Community Development Corporation	Nonmajor Governmental	Enterprise	Total
Receivables:						
Taxes	$ 981,586	$ 11,990	$ 202,598	$ -	$ -	$ 1,196,174
Accounts	659,097	-	-	-	1,559,215	2,218,312
Unbilled	-	-	-	-	503,225	503,225
Other	-	-	-	12,444	9,307	21,751
Intergovernmental	103,979	-	-	823	-	104,802
Gross receivables	1,744,662	11,990	202,598	13,267	2,071,747	4,044,264
Less: allowance for uncollectibles	540,446	-	-	-	312,947	853,393
Net total receivables	$ 1,204,216	$ 11,990	$ 202,598	$ 13,267	$ 1,758,800	$ 3,190,871

At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

General fund:	
Franchise taxes	$ 5,416
Grants	29,809
Park fees	5,121
Interest	836
Total general fund	41,182
Nonmajor governmental fund:	
Grants	319,280
Parks fees	39,785
Total nonmajor governmental fund	359,065
Total governmental funds	$ 400,247

C. Interfund Transfers

The following is a summary of transfers:

	Transfers in			
Transfers out	General	Debt Service	Nonmajor Governmental	Total
General	$ -	$ -	$ 16,000	$ 16,000
Community Development Corporation	28,000	887,884	-	915,884
Nonmajor governmental	52,021	-	-	52,021
Water and wastewater	300,000	-	-	300,000
	$ 380,021	$ 887,884	$ 16,000	$ 1,283,905

The transfer to nonmajor governmental funds from the General Fund is for drainage fees associated with imperious square footage of public buildings. The transfer from the Community Development Corporation Fund to the Debt Service Fund is a reimbursement to the Debt Service Fund for debt service payments made on behalf of the HVCDC. The transfer from Community Development Corporation Fund to the General Fund is a Reimbursement to General Fund for support services. The transfer from the HVCDC to the General Fund is for reimbursement of support services. Transfer from the Water and Wastewater Fund to the General Fund represents an annual transfer for support services. The remainder of the transfers is for various projects.

D. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 17,183,848	$ -	$ -	$ 17,183,848
Construction in progress	2,778,842	7,568,899	(2,093,184)	8,254,557
Total assets not being depreciated	19,962,690	7,568,899	(2,093,184)	25,438,405
Capital assets, being depreciated:				
Land improvements	13,975,451	87,214	1,817,668	15,880,333
Buildings and improvements	13,691,476	-	-	13,691,476
Equipment	6,689,822	912,792	(302,665)	7,299,949
Infrastructure	40,197,043	-	275,516	40,472,559
Intangibles	196,594	-	-	196,594
Total capital assets being depreciated	74,750,386	1,000,006	1,790,519	77,540,911
Less accumulated depreciation:				
Land improvements	5,079,099	686,186	-	5,765,285
Buildings and improvements	6,191,022	700,981	-	6,892,003
Equipment	5,086,828	471,230	(302,665)	5,255,393
Infrastructure	20,775,110	991,659	-	21,766,769
Intangibles	143,777	17,485	-	161,262
Total accumulated depreciation	37,275,836	2,867,541	(302,665)	39,840,712
Total capital assets being depreciated, net	37,474,550	(1,867,535)	2,093,184	37,700,199
Governmental activities capital assets, net	$ 57,437,240	$ 5,701,364	$ -	$ 63,138,604

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 75,713	$ -	$ -	$ 75,713
Construction in progress	281,095	2,458,649	(234,469)	2,505,275
Total assets not being depreciated	356,808	2,458,649	(234,469)	2,580,988
Capital assets, being depreciated:				
Buildings	1,469,617	-	-	1,469,617
Improvements other than buildings	29,837,146	17,571	234,469	30,089,186
Equipment	1,587,854	106,955	(61,275)	1,633,534
Infrastructure	617,553	-	-	617,553
Intangibles	81,737	-	-	81,737
Total capital assets being depreciated	33,593,907	124,526	173,194	33,891,626
Less accumulated depreciation:				
Buildings	247,848	72,299	-	320,147
Improvements other than buildings	16,770,797	985,919	-	17,756,716
Equipment	1,339,472	72,548	(60,013)	1,352,007
Infrastructure	605,261	615	-	605,876
Intangibles	59,554	4,515	-	64,069
Total accumulated depreciation	19,022,932	1,135,896	(60,013)	20,098,815
Total capital assets being depreciated, net	14,570,975	(1,011,370)	233,207	13,792,811
Business-type activities capital assets, net	$ 14,927,783	$ 1,447,279	$(1,263)	$ 16,373,799

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
City manager	$ 20,787
Finance	61,387
Human resources	9,271
City secretary	31,363
Maintenance	77,708
Community services	10,592
Police	264,644
Fire	372,341
Streets and drainage	1,196,670
Park and recreation	822,778
Total depreciation expense - governmental activities	$ 2,867,541
Business-type activities:	
Water and wastewater	$ 1,135,896
Total depreciation expense - business-type activities	$ 1,135,896

E. Construction Commitments

The City has active construction projects as of September 30, 2015. At year-end the City's commitments with contractors are as follows:

Projects	Spent to Date	Remaining Commitment
Governmental activities:		
KSC Pedestrian Trail – Engineering only	$ 17,042	$ 31,828
Highland Village Rd. Phase II-A – Engineering only	8,250	16,750
Doubletree Ranch Park	7,944,245	1,565,007
Sellmeyer Lane Improvements	62,789	732,836
Sellmeyer Lane- Wichita Estate	189,607	380,132
Canyon Creek Drainage Improvements- Engineering	16,450	13,350
Remington Trail to Highland Village Road- Engineering Only	9,375	3,125
Business activities:		
Spruce Drive Water Line Replacement – Engineering only	4,135	565
Highland Village Rd Water Line Phase II- Engineering only	13,612	7,239
12" Water Line Northwest of City -Engineering only	20,461	103,339
FM 407 Ground Storage and Pump	2,404,287	80,669
KCS Railroad Sewer Line Crossing at Winding Creek	13,240	9,660
Sellmeyer Lane Improvements	8,485	79,918
Highland Shores Water Line Ph II- Engineering only	41,055	4,845

F. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
General obligation refunding and improvement bonds	4.00 - 4.25	2006	2027	$ 6,875,000	$ 3,960,000
General obligation refunding and improvement bonds	3.50 - 4.00	2008	2028	5,000,000	3,720,000
General obligation refunding and improvement bonds	2.00 - 4.00	2011	2022	4,070,000	1,865,000
					9,545,000
Business-type activities:					
General obligation refunding bonds	2.00 - 4.00	2011	2022	1,055,000	215,000
General obligation refunding bonds	2.00 - 3.00	2012	2024	4,565,000	3,300,000
					3,515,000
					$ 13,060,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	$ 1,085,000	$ 359,889	$ 625,000	$ 88,725
2017	965,000	322,158	640,000	74,725
2018	760,000	289,101	295,000	63,075
2019	790,000	257,870	305,000	54,075
2020	825,000	224,695	310,000	44,850
2021-2025	3,675,000	634,025	1,340,000	81,900
2026-2030	1,445,000	80,938	-	-
Total	$ 9,545,000	$ 2,168,676	$ 3,515,000	$ 407,350

Combination Tax and Revenue Certificates of Obligation

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Combination tax and revenue certificates of obligation have been issued for both governmental and business-type activities. Combination tax and revenue certificates of obligation outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Combination tax and revenue certificates of obligation	4.00 - 4.25	2006	2027	$ 1,255,000	$ 905,000
Combination tax and revenue certificates of obligation	3.50 - 4.00	2008	2028	3,000,000	1,030,000
Combination tax and revenue certificates of obligation	3.00 - 4.50	2009	2029	3,830,000	2,545,000
Combination tax and revenue certificates of obligation	2.00 - 3.50	2012	2032	2,795,000	2,660,000
Combination tax and revenue certificates of obligation	2.00 - 4.00	2014	2034	7,020,000	7,010,000
					14,150,000
Business-type activities:					
Combination tax and revenue certificates of obligation	3.50 - 4.00	2008	2028	1,500,000	1,115,000
Combination tax and revenue certificates of obligation	3.00 - 4.50	2009	2029	4,365,000	3,400,000
Combination tax and revenue certificates of obligation	2.00 - 4.00	2013	2034	4,540,000	4,540,000
					9,055,000
					$ 23,205,000

Combination tax and revenue certificates of obligation debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	$ 770,000	$ 436,444	$ 255,000	$ 314,063
2017	790,000	411,957	265,000	305,925
2018	825,000	385,950	485,000	294,900
2019	825,000	360,781	500,000	280,738
2020	855,000	336,481	520,000	265,300
2021-2025	4,350,000	1,273,813	2,845,000	1,056,653
2026-2030	3,275,000	697,638	2,885,000	480,493
2031-2035	2,460,000	168,770	1,300,000	97,240
Total	$ 14,150,000	$ 4,071,834	$ 9,055,000	$ 3,095,312

Capital Lease Obligation

This year, the city entered into a lease agreement as lessee for financing the acquisition of a fire truck valued at $633,506. The fire truck has a useful life of fifteen-year estimated useful life. This year, $7,039 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value for future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these lease payments as of September 30, 2015, were as follows:

Year Ending September 30,	Governmental Activities
2016	$ 133,197
2017	133,197
2018	133,197
2019	133,197
Total minimum lease payments	532,788
Less: amount representing interest	(29,282)
Present value of minimum lease payments	$ 503,506

G. Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations	$ 10,630,000	$ -	$ 1,085,000	$ 9,545,000	$ 1,085,000
Combination tax and revenue CO	14,890,000		740,000	14,150,000	770,000
Issuance premium	440,633	-	47,610	393,023	47,610
Total bonds payable	25,960,633	-	1,872,610	24,088,023	1,902,610
Capital lease obligation	-	633,506	130,000	503,506	121,616
Net pension liability	2,992,265	2,380,909	2,122,373	3,250,801	-
Compensated absences	933,447	746,528	706,491	973,484	736,793
Governmental activities long-term liabilities	$ 29,886,345	$ 3,760,943	$ 4,831,474	$ 28,815,814	$ 2,761,019

The General Fund has typically been used to liquidate governmental activities compensated absences liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 4,130,000	$ -	$ 615,000	$ 3,515,000	$ 625,000
Combination tax and revenue CO	9,300,000	-	245,000	9,055,000	255,000
Issuance premium	288,408	-	34,308	254,100	34,308
Total bonds payable	13,718,408	-	894,308	12,824,100	914,308
Net pension liability	391,884	311,817	277,958	425,743	-
Compensated absences	110,772	95,180	86,834	119,118	93,376
Business-type activities long-term liabilities	$ 14,221,064	$ 406,997	$ 1,259,100	$ 13,368,961	$ 1,007,684

H. Retirement Plan

Plan Descriptions. The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credit	100% repeating
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefi	48
Inactive employees entitled to but not yet receiving benefits	98
Active employees	145
	291

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.73% and 13.29% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were $1,163,130, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	$ 27,979,470	$ 24,595,321	$ 3,384,149
Changes for the year:			
Service cost	1,370,530	-	1,370,530
Interest	1,983,761	-	1,983,761
Difference between expected and actual experience	(10,973)	-	(10,973)
Contributions - employer	-	1,070,712	(1,070,712)
Contributions - employee	-	588,766	(588,766)
Net investment income	-	1,407,343	(1,407,343)
Benefit payments, including refunds of employee contributions	(650,592)	(650,592)	-
Administrative expense	-	(14,690)	14,690
Other changes	-	(1,208)	1,208
Net changes	2,692,726	2,400,331	292,395
Balance at 12/31/2014	$ 30,672,196	$ 26,995,652	$ 3,676,544

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) of 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	$ 8,755,506	$ 3,676,544	$(425,457)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.com*.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2015, the City recognized pension expense of $1,120,147.

At September 30, 2015, the City reported deferred outflows and inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic	$ -	$ 8,503
Difference between projected and actual investment	251,463	-
Contributions subsequent to the measurement date	916,150	-
Total	$ 1,167,613	$ -

$916,150 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2016	$ 60,396
2017	60,396
2018	60,396
2019	61,772

Subsequent Event

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be a large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

I. Other Post Employee Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal year ended 2015, 2014, and 2013 were $14,339, $11,661, and $11,257, respectively, which equaled the required contributions each year.

J. Commitments and Contingencies

Upper Trinity Regional Water District ("UTRWD")

The City of Highland Village entered into a contract with the Upper Trinity Regional Water District Lakeview Regional Water Reclamation System (sewer plant), in June 1995, to meet its long-term wastewater treatment needs. The UTRWD has issued a series of bonds to provide for capital funding for the expansion and refurbishment of the Lakeview Sewer Plant and to construct the regional sewer system with all of said bonds to be payable from and secured by annual payments made by participating members. From 10/1/2014 – 9/30/2015, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City is committed to pay facility charges, currently $625,300/MGD for joint facilities and $338,465 annually for facilities specific to the Highland Village. The volume rate for treatment (including transportation charge) is $1.75/1,000 gallons.

The City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $.94/1,000 gallons, with an annual demand charge of $388,110/MGD.

From 10/1/2015 – 9/30/2016, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City is committed to pay fixed operations and maintenance cost of $174,250/MGD, facility charges of $914,770/MGD for joint facilities, and $332,385 annually for facilities specific to the Highland Village. The volume rate for treatment (including transportation charge) is $1.50/1,000 gallons.

The City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.09/1,000 gallons, with an annual demand charge of $398,000/MGD.

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. At year end the amount of encumbrances expected to be honored in the next year were as follows:

Fund	Amount
General	$ 670,793
Capital projects	1,087,968
Community Development Corporation	1,571,611
Other governmental	15,478
Total	$ 3,345,850

Lawsuits

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Risk Management

The City is exposed to various risks or loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability and property coverage is insured by the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool. The City's only responsibility to the Fund is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

K. Subsequent Events

On December 30, 2015, the City issued $1,535,000 of Tax Notes for financing of several capital projects and purchases. The interest rate on the note is 1.59% and the final maturity date is February 15, 2022.

On December 30, 2015, the City issued $7,700,000 of Series 2015 General Obligation Refunding Bonds to refund the remaining outstanding amounts of the 2006 Certificates of Obligation, 2006 General Obligation Refunding and Improvement Bonds, and 2008 General Obligation Bonds. The interest rate on the note is 2.04% and the final maturity date is February 15, 2028.

REQUIRED
SUPPLEMENTARY INFORMATION

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CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 12,847,209	$ 12,847,209	$ 12,642,232	$(204,977)
Fines and forfeitures	177,328	177,328	124,932	(52,396)
Licenses, permits and fees	575,275	675,275	765,727	90,452
Intergovernmental	-	-	69,420	69,420
Charges for services	213,309	213,309	253,851	40,542
Investment earnings	24,000	24,000	27,078	3,078
Miscellaneous	134,150	134,150	122,009	(12,141)
Total revenues	13,971,271	14,071,271	14,005,249	(66,022)
EXPENDITURES				
Current:				
General government:				
City manager:				
Personnel	372,916	436,916	440,887	(3,971)
Services and supplies	288,032	268,032	237,997	30,035
Total city manager	660,948	704,948	678,884	26,064
Finance:				
Personnel	1,185,903	1,185,903	1,178,318	7,585
Services and supplies	679,760	705,760	720,321	(14,561)
Total finance	1,865,663	1,891,663	1,898,639	(6,976)
Human resources:				
Personnel	372,354	342,354	344,738	(2,384)
Services and supplies	97,414	97,414	74,816	22,598
Total human resources	469,768	439,768	419,554	20,214
City secretary:				
Personnel	170,560	183,560	190,771	(7,211)
Services and supplies	134,265	93,265	81,438	11,827
Total city secretary	304,825	276,825	272,209	4,616
Maintenance:				
Personnel	288,652	288,652	288,458	194
Services and supplies	633,647	588,647	533,600	55,047
Capital outlay	30,000	30,000	35,559	(5,559)
Total maintenance	952,299	907,299	857,617	49,682

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Public safety:				
Police:				
Personnel	3,790,710	3,650,710	3,680,348	(29,638)
Services and supplies	306,653	391,653	318,708	72,945
Capital outlay	135,000	135,000	48,005	86,995
Total police	4,232,363	4,177,363	4,047,061	130,302
Fire:				
Personnel	1,976,473	1,958,473	1,921,664	36,809
Services and supplies	289,795	299,795	285,201	14,594
Capital outlay	265,500	265,500	769,417	(503,917)
Total fire	2,531,768	2,523,768	2,976,282	(452,514)
Community services:				
Personnel	370,350	370,350	374,411	(4,061)
Services and supplies	21,391	40,341	27,130	13,211
Capital outlay	30,000	30,000	21,743	8,257
Total building operations	421,741	440,691	423,284	17,407
Streets and drainage:				
Personnel	604,387	579,387	591,731	(12,344)
Services and supplies	588,410	1,292,910	307,014	985,896
Capital outlay	-	-	21,964	(21,964)
Total streets and drainage	1,192,797	1,872,297	920,709	951,588
Parks and recreation:				
Personnel	1,111,844	1,104,844	1,104,214	630
Services and supplies	696,841	713,841	660,242	53,599
Capital outlay	80,800	84,800	84,349	451
Total parks and recreation	1,889,485	1,903,485	1,848,805	54,680
Debt service:				
Principal	-	130,000	130,000	-
Total expenditures	14,521,657	15,268,107	14,473,044	795,063
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(550,386)	(1,196,836)	(467,795)	729,041
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	-	-	633,506	633,506
Transfers in	381,282	481,282	380,021	(101,261)
Transfers out	(16,000)	(16,000)	(16,000)	-
Total other financing sources and uses	365,282	465,282	997,527	532,245
NET CHANGE IN FUND BALANCE	(185,104)	(731,554)	529,732	1,261,286
FUND BALANCE, BEGINNING	4,543,599	4,543,599	4,543,599	-
FUND BALANCE, ENDING	$ 4,358,495	$ 3,812,045	$ 5,073,331	$ 1,261,286

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)

COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 1,275,209	$ 1,275,209	$ 1,197,263	$(77,946)
Licenses, permits and fees	-	-	11,934	11,934
Intergovernmental	-	-	1,183,964	1,183,964
Investment earnings	27,684	27,684	6,112	(21,572)
Miscellaneous	3,700	3,700	-	(3,700)
Total revenues	1,306,593	1,306,593	2,399,273	1,092,680
EXPENDITURES				
Parks and recreation:				
Personnel	142,017	142,017	113,602	28,415
Services and supplies	247,827	247,827	148,197	99,630
Capital outlay	4,967,424	8,868,798	6,929,389	1,939,409
Total expenditures	5,357,268	9,258,642	7,191,188	2,067,454
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,050,675)	(7,952,049)	(4,791,915)	3,160,134
OTHER FINANCING SOURCES (USES)				
Transfer out	(924,883)	(924,883)	(915,884)	(8,999)
Total other financing sources (uses)	(924,883)	(924,883)	(915,884)	(8,999)
NET CHANGE IN FUND BALANCE	(4,975,558)	(8,876,932)	(5,707,799)	3,169,133
FUND BALANCE, BEGINNING	8,056,884	8,056,884	8,056,884	-
FUND BALANCE, ENDING	$ 3,081,326	$(820,048)	$ 2,349,085	$ 3,169,133

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year	**2014**
A. Total pension liability	
Service Cost	$ 1,370,530
Interest (on the Total Pension Liability)	1,983,761
Difference between expected and actual experience	(10,973)
Benefit payments, including refunds of employee contributions	(650,592)
Net change in total pension liability	2,692,726
Total pension liability - beginning	27,979,470
Total pension liability - ending (a)	$ 30,672,196
B. Plan fiduciary net position	
Contributions - employer	$ 1,070,712
Contributions - employee	588,766
Net investment income	1,407,343
Benefit payments, including refunds of employee contributions	(650,592)
Administrative expense	(14,690)
Other	(1,208)
Net change in plan fiduciary net position	2,400,331
Plan fiduciary net position - beginning	24,595,321
Plan fiduciary net position - ending (b)	$ 26,995,652
C. Net pension liability - ending (a) - (b)	$ 3,676,544
D. Plan fiduciary net position as a percentage of total pension liability	88.01%
E. Covered employee payroll	$ 8,410,947
F. Net position liability as a percentage of covered employee payroll	43.71%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHUEDLE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Fiscal Year	2014	2015
Actuarial determined contribution	$ 1,049,673	$ 1,163,130
Contributions in relation to the actuarially determined contribution	1,049,673	1,163,130
Contribution deficiency (excess)	-	-
Covered employee payroll	8,329,839	8,859,846
Contributions as a percentage of covered employee payroll	12.60%	13.13%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.
Other Information	There were no benefit changes during the year.

BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Special Revenue Funds, and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis.

The appropriated budget is prepared by fund, department and three categories – personnel, services and supplies, and capital outlay. During the fiscal year, each department is responsible to not exceed the amounts budgeted in each of the three categories. Transfers of appropriations between categories or departments require the approval of council. Category subtotals of departmental expenditures thus provide the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2015, expenditures exceed appropriation in the following fund, function, department and category.

Fund	Function/Department	Category	Amount
General	General government/City manager	Personnel	$ 3,971
General	General government/Finance	Services and supplies	14,561
General	General government/Human resources	Personnel	2,384
General	General government/City secretary	Personnel	7,211
General	General government/Maintenance	Capital Outlay	5,559
General	Public safety/Police	Personnel	29,638
General	Public safety/Fire	Capital Outlay	503,917
General	General government/Community services	Personnel	4,061
General	General government/Streets and drainage	Personnel	12,344
General	General government/Streets and drainage	Capital Outlay	21,964
Debt Service	Debt service	Interest	696
Corps Leased Parks	Parks and recreation	Services and supplies	15,515
Public Safety	Public safety/Police	Services and supplies	6,121
Utility Drainage	Street and drainage	Personnel	15,477
PEG Fee	General government	Services and supplies	10,074

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Corps Leased Parks Fund – This fund is used to account for the operations of Corp Leased Parks. Park admission and usage fees charged to patrons are committed to finance operations.

Park Development Fund – This fund accounts for development fees charged to property developers, which are committed for development and maintenance of City parks.

Public Safety Fund – This fund accounts for funds received from local, state and federal sources for the purpose of supporting the City's Police and Fire programs.

Municipal Court Building Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Municipal Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, PCs and any other technology items needed for the court.

Utility Drainage Fund – This fund is used to account for fees collected for the purpose of improving, upgrading and maintaining the City's drainage system. The City is mandated by the Texas Commission on Environmental Quality (TCEQ) to develop and maintain a Storm Water Management Plan in order to address capacity and quality issues and protect its residents and their properties from possible flooding and pollution problems. Drainage fees are collected by residents to fund the activities required to comply TCEQ regulations.

PEG Fee Fund – This fund is used to account for public, educational, and governmental (PEG) fees charged to cable users, which are restricted for the City's PEG channel.

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of capital improvements (other than those financed by proprietary funds). Such resources are derived from proceeds of general obligation debt, other sources designated for capital improvements and interest earned on such monies.

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue		
	Corps Leased Parks	Park Development	Public Safety
ASSETS			
Cash and investments	$ 433,226	$ 71,856	$ 16,002
Receivables:			
Intergovernmental	-	-	823
Other	12,444	-	-
Total assets	445,670	71,856	16,825
LIABILITIES			
Accounts payable	29,699	-	429
Accrued liabilities	8,340	-	-
Unearned revenue	359,065	-	-
Total liabilities	397,104	-	429
FUND BALANCES			
Restricted for:			
Public safety - law enforcement operations	-	-	16,396
Utility drainage operations	-	-	-
Public broadcasting	-	-	-
Capital projects	-	-	-
Committed - park development and maintenance	48,566	71,856	-
Total fund balances	48,566	71,856	16,396
Total liabilities and fund balances	$ 445,670	$ 71,856	$ 16,825

Special Revenue					Total
Municipal Court Building Security	Municipal Court Technology	Utility Drainage	PEG Fee	Capital Projects	Nonmajor Governmental Funds
$ 30,107	$ 37,655	$ 231,151	$ 30,276	$ 463,909	$ 1,314,182
-	-	-	-	-	823
-	-	-	-	-	12,444
30,107	37,655	231,151	30,276	463,909	1,327,449
-	-	52,311	-	71,848	154,287
-	-	13,384	-	-	21,724
-	-	-	-	-	359,065
-	-	65,695	-	71,848	535,076
30,107	37,655	-	-	-	84,158
-	-	165,456	-	-	165,456
-	-	-	30,276	-	30,276
-	-	-	-	392,061	392,061
-	-	-	-	-	120,422
30,107	37,655	165,456	30,276	392,061	792,373
$ 30,107	$ 37,655	$ 231,151	$ 30,276	$ 463,909	$ 1,327,449

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue		
	Corps Leased Parks	Park Development	Public Safety
REVENUES			
Licenses, permits and fees	$ 211,916	$ 28,728	$ -
Intergovernmental	152,174	-	29,677
Investment earnings	1,743	31	-
Total revenues	365,833	28,759	29,677
EXPENDITURES			
Current:			
General government:			
Finance	-	-	-
Public safety:			
Police	-	-	6,121
Streets and drainage	-	-	-
Parks and recreation	351,941	-	-
Capital outlay	28,934	-	-
Total expenditures	380,875	-	6,121
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,042)	28,759	23,556
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(19,663)
Total other financing sources and uses	-	-	(19,663)
NET CHANGE IN FUND BALANCES	(15,042)	28,759	3,893
FUND BALANCES, BEGINNING	63,608	43,097	12,503
FUND BALANCES, ENDING	$ 48,566	$ 71,856	$ 16,396

Special Revenue					
Municipal Court Building Security	Municipal Court Technology	Utility Drainage	PEG Fee	Capital Projects	Total Nonmajor Governmental Funds
$ 3,516	$ 4,686	$ 474,492	$ 64,930	$ -	$ 788,268
-	-	-	-	-	181,851
-	-	71	-	780	2,625
3,516	4,686	474,563	64,930	780	972,744
815	4,884	-	40,074	-	45,773
-	-	-	-	-	6,121
-	-	454,025	-	-	454,025
-	-	-	-	-	351,941
-	-	16,450	12,000	250,547	307,931
815	4,884	470,475	52,074	250,547	1,165,791
2,701	(198)	4,088	12,856	(249,767)	(193,047)
-	-	16,000	-	-	16,000
-	(16,358)	(16,000)	-	-	(52,021)
-	(16,358)	-	-	-	(36,021)
2,701	(16,556)	4,088	12,856	(249,767)	(229,068)
27,406	54,211	161,368	17,420	641,828	1,021,441
$ 30,107	$ 37,655	$ 165,456	$ 30,276	$ 392,061	$ 792,373

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 1,797,705	$ 1,797,705	$ 1,786,494	$(11,211)
Investment earnings	500	500	211	(289)
Total revenues	1,798,205	1,798,205	1,786,705	(11,500)
EXPENDITURES				
Debt service:				
Principal	1,825,000	1,825,000	1,825,000	-
Interest	862,590	862,590	863,286	(696)
Total expenditures	2,687,590	2,687,590	2,688,286	(696)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(889,385)	(889,385)	(901,581)	(12,196)
OTHER FINANCING SOURCES (USES)				
Transfers in	896,883	896,883	887,884	8,999
Total other financing sources and uses	896,883	896,883	887,884	8,999
NET CHANGE IN FUND BALANCE	7,498	7,498	(13,697)	(21,195)
FUND BALANCE, BEGINNING	168,040	168,040	168,040	-
FUND BALANCE, ENDING	$ 175,538	$ 175,538	$ 154,343	$(21,195)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CORPS LEASED PARKS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Licenses, permits and fees	$ 246,275	$ 246,275	$ 211,916	$(34,359)
Intergovernmental	125,000	125,000	152,174	27,174
Investment earnings	-	-	1,743	1,743
Total revenues	371,275	371,275	365,833	(5,442)
EXPENDITURES				
Parks and recreation:				
Personnel	194,795	194,795	188,844	5,951
Services and supplies	147,582	147,582	163,097	(15,515)
Capital outlay	30,000	30,000	28,934	1,066
Total expenditures	372,377	372,377	380,875	(8,498)
NET CHANGE IN FUND BALANCE	(1,102)	(1,102)	(15,042)	(13,940)
FUND BALANCE, BEGINNING	63,608	63,608	63,608	-
FUND BALANCE, ENDING	$ 62,506	$ 62,506	$ 48,566	$(13,940)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK DEVELOPMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Park development fees	$ 26,676	$ 26,676	$ 28,728	$ 2,052
Investment earnings	41	41	31	(10)
Total revenues	26,717	26,717	28,759	2,042
EXPENDITURES				
Total expenditures	-	-	-	-
NET CHANGE IN FUND BALANCE	26,717	26,717	28,759	2,042
FUND BALANCE, BEGINNING	43,097	43,097	43,097	-
FUND BALANCE, ENDING	$ 69,814	$ 69,814	$ 71,856	$ 2,042

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC SAFETY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 22,000	$ 22,000	$ 29,677	$ 7,677
Total revenues	22,000	22,000	29,677	7,677
EXPENDITURES				
Public safety:				
Police:				
Services and supplies	-	-	6,121	(6,121)
Total expenditures	-	-	6,121	(6,121)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,000	22,000	23,556	1,556
OTHER FINANCING SOURCES (USES)				
Transfer out	(22,000)	(32,000)	(19,663)	12,337
Total other financing sources (uses)	(22,000)	(32,000)	(19,663)	12,337
NET CHANGE IN FUND BALANCE	-	(10,000)	3,893	13,893
FUND BALANCE, BEGINNING	12,503	12,503	12,503	-
FUND BALANCE, ENDING	$ 12,503	$ 2,503	$ 16,396	$ 13,893

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MUNICIPAL COURT BUILDING SECURITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Licenses, permits and fees	$ 5,300	$ 5,300	$ 3,516	$(1,784)
Total revenues	5,300	5,300	3,516	(1,784)
EXPENDITURES				
General government:				
Finance:				
Personnel	3,000	3,000	690	2,310
Services and supplies	-	150	125	25
Total expenditures	3,000	3,150	815	2,335
NET CHANGE IN FUND BALANCE	2,300	2,150	2,701	551
FUND BALANCE, BEGINNING	27,406	27,406	27,406	-
FUND BALANCE, ENDING	$ 29,706	$ 29,556	$ 30,107	$ 551

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MUNICIPAL COURT TECHNOLOGY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 6,600	$ 6,600	$ 4,686	$(1,914)
Total revenues	6,600	6,600	4,686	(1,914)
EXPENDITURES				
General government:				
Finance:				
Services and supplies	7,000	7,000	4,884	2,116
Total expenditures	7,000	7,000	4,884	2,116
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(400)	(400)	(198)	202
OTHER FINANCING SOURCES (USES)				
Transfer out	(19,282)	(19,282)	(16,358)	2,924
Total other financing sources (uses)	(19,282)	(19,282)	(16,358)	2,924
NET CHANGE IN FUND BALANCE	(19,682)	(19,682)	(16,556)	3,126
FUND BALANCE, BEGINNING	54,211	54,211	54,211	-
FUND BALANCE, ENDING	$ 34,529	$ 34,529	$ 37,655	$ 3,126

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

UTILITY DRAINAGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Licenses, permits and fees	$ 475,000	$ 475,000	$ 474,492	$(508)
Investment earnings	500	500	71	(429)
Total revenues	475,500	475,500	474,563	(937)
EXPENDITURES				
Street and drainage:				
Personnel	304,152	304,152	319,629	(15,477)
Services and supplies	149,480	149,480	134,396	15,084
Capital outlay	50,000	50,000	16,450	33,550
Total expenditures	503,632	503,632	470,475	33,157
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,132)	(28,132)	4,088	32,220
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	16,000	-
Transfers out	(16,000)	(16,000)	(16,000)	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(28,132)	(28,132)	4,088	32,220
FUND BALANCE, BEGINNING	161,368	161,368	161,368	-
FUND BALANCE, ENDING	$ 133,236	$ 133,236	$ 165,456	$ 32,220

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PEG FEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
PEG fees	$ 60,000	$ 60,000	$ 64,930	$ 4,930
Total revenues	60,000	60,000	64,930	4,930
EXPENDITURES				
General government:				
Services and supplies	22,000	30,000	40,074	(10,074)
Capital outlay	30,500	30,500	12,000	18,500
Total expenditures	52,500	60,500	52,074	8,426
NET CHANGE IN FUND BALANCE	7,500	(500)	12,856	13,356
FUND BALANCE, BEGINNING	17,420	17,420	17,420	-
FUND BALANCE, ENDING	$ 24,920	$ 16,920	$ 30,276	$ 13,356

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENT FUNDS BY SOURCE

SEPTEMBER 30, 2015

GENERAL CAPITAL ASSETS		
Land	$	17,183,848
Land improvements		15,880,333
Building and improvements		13,691,476
Equipment		7,299,949
Other capital assets		196,594
Infrastructure		40,472,559
Construction in progress		8,254,557
Total general capital assets	$	102,979,316
INVESTMENT IN GENERAL CAPITAL ASSETS		
Investment in general capital assets acquired prior to October 1, 1990	$	655,037
General fund		8,970,878
Vehicle replacement fund		670,674
Special revenue funds		20,823,322
Capital project funds		24,681,698
Donations		47,177,707
Total invstment in general capital assets	$	102,979,316

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY

SEPTEMBER 30, 2015

Department	Land	Land Improvements	Building Improvements	Equipment	Other Assets	Infrastructure	Construction in Progress	Total
City Manager	$ 430,748	$ -	$ 265,915	$ 54,275	$ -	$ -	$ -	$ 750,938
Finance	26,652	-	412,718	399,242	141,029	-	-	979,641
Human Resources	8,812	-	113,185	-	13,388	-	-	135,385
City Secretary	41,479	-	511,673	-	18,447	-	-	571,599
Police	214,495	-	2,765,228	1,402,582	6,273	-	-	4,388,578
Fire	41,800	-	4,438,500	2,537,239	-	-	-	7,017,539
Building Operations	8,928	-	142,993	53,339	-	-	-	205,260
Streets and Drainage	11,571,914	814,257	885,794	998,686	-	40,346,701	196,407	54,813,759
Maintenance	65,609	-	775,361	359,793	-	-	-	1,200,763
Drainage Operations	-	29,200	451,842	483,978	-	125,858	16,450	1,107,328
Parks and Recreation	4,773,411	15,036,876	2,928,267	1,010,815	17,457	-	8,041,700	31,808,526
Total general capital assets	$ 17,183,848	$ 15,880,333	$ 13,691,476	$ 7,299,949	$ 196,594	$ 40,472,559	$ 8,254,557	$ 102,979,316

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS - CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Department	Balance September 30, 2014	Additions	Retirements / Transfers	Balance September 30, 2015
City manager	$ 750,938	$ -	$ -	$ 750,938
Finance	967,641	12,000	-	979,641
Human resources	135,385	-	-	135,385
City secretary	571,599	-	-	571,599
Police	4,340,574	48,004	-	4,388,578
Fire	6,530,659	769,417	282,537	7,017,539
Building operations	203,645	21,743	20,128	205,260
Streets and drainage	54,602,188	211,571	-	54,813,759
Maintenance	1,165,204	35,559	-	1,200,763
Drainage operations	1,090,878	16,450	-	1,107,328
Parks and recreation	24,354,365	7,454,161	-	31,808,526
Total capital assets	$ 94,713,076	$ 8,568,905	$ 302,665	$ 102,979,316

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STATISTICAL SECTION

This part of the City of Highland Village, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	79
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	87
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	91
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	96
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	99

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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TABLE 1

CITY OF HIGHLAND VILLAGE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	$ 34,328,243	$ 34,116,471	$ 34,619,733	$ 36,047,885	$ 37,529,766	$ 36,432,805	$ 36,579,491	$ 38,572,424	$ 39,860,121	$ 40,160,271
Restricted:										
Debt service	121,128	272,324	237,114	268,467	236,654	262,165	259,678	77,964	100,918	62,822
Community development	-	-	-	-	1,114,888	1,156,675	1,073,212	592,076	533,841	968,043
Public safety	-	-	-	-	-	76,953	86,057	92,018	94,120	84,158
Utility dtainage	-	-	-	-	-	433,566	283,352	171,166	161,368	165,456
Public broadcasting	-	-	-	-	-	-	10,738	6,291	17,420	30,276
Capital projects	585,311	267,715	355,191	345,422	386,322	-	-	-	-	-
Unrestricted	2,181,559	3,320,666	3,850,047	4,824,756	4,840,585	4,208,202	4,454,302	3,906,066	3,931,056	2,210,827
Total governmental activities net position	$ 37,216,241	$ 37,977,176	$ 39,062,085	$ 41,486,530	$ 44,108,215	$ 42,570,366	$ 42,746,830	$ 43,418,005	$ 44,698,844	$ 43,681,853
Business-type activities:										
Net investment in capital assets	$ 5,302,838	$ 5,731,085	$ 6,111,699	$ 5,465,933	$ 5,664,677	$ 7,149,038	$ 6,393,534	$ 6,442,425	$ 6,325,308	$ 5,519,051
Restricted:										
Capital projects	1,535,187	2,186,804	1,800,047	1,678,094	1,457,105	1,657,116	1,110,634	850,597	854,369	859,804
Unrestricted	1,898,148	941,128	1,780,651	2,951,956	2,130,193	2,830,923	3,079,711	3,594,106	3,142,581	2,830,311
Total business-type activities net position	$ 8,736,173	$ 8,859,017	$ 9,692,397	$ 10,095,983	$ 9,251,975	$ 11,637,077	$ 10,583,879	$ 10,887,128	$ 10,322,258	$ 9,209,166
Primary government:										
Net investment in capital assets	$ 39,631,081	$ 39,847,556	$ 40,731,432	$ 41,513,818	$ 43,194,443	$ 43,581,843	$ 42,973,025	$ 45,014,849	$ 46,185,429	$ 45,679,322
Restricted:										
Debt service	121,128	272,324	237,114	268,467	236,654	262,165	259,678	77,964	100,918	62,822
Community Development	-	-	-	-	1,114,888	1,156,675	1,073,212	592,076	533,841	968,043
Public safety	-	-	-	-	-	76,953	86,057	92,018	94,120	84,158
Utility dtainage	-	-	-	-	-	433,566	283,352	171,166	161,368	165,456
Public broadcasting	-	-	-	-	-	-	10,738	6,291	17,420	30,276
Capital projects	2,120,498	2,454,519	2,155,238	2,023,516	1,843,427	1,657,116	1,110,634	850,597	854,369	859,804
Unrestricted	4,079,707	4,261,794	5,630,698	7,776,712	6,970,778	7,039,125	7,534,013	7,500,172	7,073,637	5,041,138
Total primary government net position	$ 45,952,414	$ 46,836,193	$ 48,754,482	$ 51,582,513	$ 53,360,190	$ 54,207,443	$ 53,330,709	$ 54,305,133	$ 55,021,102	$ 52,891,019

Note:

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year		
	2006	2007	2008
EXPENSES			
Governmental activities:			
General government	$ 2,889,724	$ 3,274,106	$ 2,920,042
Public safety	3,628,593	3,982,350	4,817,750
Building operations	-	314,570	326,715
Community development	-	611,356	503,579
Community services	572,649	-	-
Streets and drainage	1,830,799	1,716,177	1,998,304
Parks and recreation	1,627,417	1,660,194	2,061,027
Interest on long-term debt	510,159	617,809	681,888
Total governmental activities expenses	11,059,341	12,176,562	13,309,305
Business-type activities:			
Water and wastewater	6,137,246	6,433,256	6,823,202
Total business-type activities expenses	6,137,246	6,433,256	6,823,202
Total primary government program expenses	$ 17,196,587	$ 18,609,818	$ 20,132,507
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	$ 244,955	$ 188,435	$ 135,323
Public safety	161,162	108,830	273,295
Building operations	-	-	-
Community services	746,043	-	-
Community development	-	928,357	451,730
Streets and drainage	-	266,221	393,491
Parks and recreation	588,131	303,536	418,924
Operating grants and contributions	-	319,162	190,771
Capital grants and contributions	807,528	-	-
Total governmental activities program revenues	2,547,819	2,114,541	1,863,534
Business-type activities:			
Charges for services:			
Water and wastewater	6,943,554	5,462,433	7,551,247
Capital grants and contributions	665,482	884,296	200,628
Total business-type activities program revenues	7,609,036	6,346,729	7,751,875
Total primary government program revenues	$ 10,156,855	$ 8,461,270	$ 9,615,409

TABLE 2

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
$ 3,087,596	$ 3,309,453	$ 4,061,944	$ 3,866,847	$ 4,012,367	$ 4,089,989	$ 4,330,662
5,454,270	5,716,458	6,057,589	6,172,127	6,220,099	6,361,961	6,848,781
342,084	347,208	311,579	366,097	-	-	-
506,031	510,371	-	-	-	-	-
-	-	-	-	386,807	389,300	415,562
2,395,655	2,252,522	2,323,968	2,436,763	2,554,759	3,157,921	2,546,268
2,355,359	2,548,972	2,869,595	3,012,260	3,059,741	3,199,066	3,199,678
932,556	974,478	844,711	786,492	766,603	887,123	836,051
15,073,551	15,659,462	16,469,386	16,640,586	17,000,376	18,085,360	18,177,002
7,256,548	8,086,711	7,956,791	9,674,321	7,782,455	8,530,306	8,525,158
7,256,548	8,086,711	7,956,791	9,674,321	7,782,455	8,530,306	8,525,158
$ 22,330,099	$ 23,746,173	$ 24,426,177	$ 26,314,907	$ 24,782,831	$ 26,615,666	$ 26,702,160
$ 160,388	$ 243,938	$ 247,160	$ 270,446	$ 346,896	$ 349,821	$ 331,895
288,262	200,990	228,724	244,070	234,931	291,234	285,879
-	-	328,780	287,245	-	-	-
-	-	-	-	326,450	424,368	388,580
326,529	293,338	-	-	-	-	-
396,519	397,886	401,583	404,726	399,727	469,914	474,492
365,163	393,737	452,633	502,356	408,598	474,319	474,514
383,646	227,209	148,982	223,526	79,277	44,048	32,377
2,078,055	-	72,385	202,669	1,541,554	1,731,955	1,353,726
3,998,562	1,757,098	1,880,247	2,135,038	3,337,433	3,785,659	3,341,463
7,643,327	7,348,133	9,062,987	8,751,077	8,486,005	8,101,643	7,888,614
196,340	106,473	193,982	145,701	79,560	148,467	104,191
7,839,667	7,454,606	9,256,969	8,896,778	8,565,565	8,250,110	7,992,805
$ 11,838,229	$ 9,211,704	$ 11,137,216	$ 11,031,816	$ 11,902,998	$ 12,035,769	$ 11,334,268

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year		
	2006	2007	2008
NET (EXPENSE) REVENUES			
Governmental activities	$(8,511,522)	$(10,062,021)	$(11,445,771)
Business-type activities	1,471,790	(86,527)	928,673
Total primary government net expense	(7,039,732)	(10,148,548)	(10,517,098)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes			
Property	7,159,890	7,775,701	8,454,932
Franchise	1,239,485	1,229,270	1,418,826
Sales	558,944	940,009	1,859,946
Unrestricted investment earnings	297,987	571,390	345,422
Gain on sale of assets	-	-	-
Miscellaneous	290,488	186,586	253,515
Transfers	240,000	120,000	240,000
Total governmental activities	9,786,794	10,822,956	12,572,641
Business-type activities:			
Unrestricted investment earnings	300,804	329,371	144,707
Transfers	(240,000)	(120,000)	(240,000)
Total business-type activities	60,804	209,371	(95,293)
Total primary government	9,847,598	11,032,327	12,477,348
CHANGE IN NET POSITION			
Governmental activities	1,275,272	760,935	1,126,870
Business-type activities	1,532,594	122,844	833,380
Total primary government	$ 2,807,866	$ 883,779	$ 1,960,250

TABLE 2

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
$(11,074,989)	$(13,902,364)	$(14,589,139)	$(14,505,548)	$(13,700,224)	$(14,299,701)	$(14,835,539)
583,119	(632,105)	1,300,178	(777,543)	766,821	(280,196)	(532,353)
(10,491,870)	(14,534,469)	(13,288,961)	(15,283,091)	(12,933,403)	(14,579,897)	(15,367,892)
9,410,561	9,487,593	9,323,925	9,397,945	9,336,875	9,726,985	10,220,940
1,384,660	1,417,221	1,412,034	1,582,402	1,640,398	1,720,762	1,722,995
1,885,786	2,781,423	3,004,273	3,252,413	3,304,660	3,613,216	3,690,787
340,518	74,569	45,144	32,737	38,059	33,308	36,026
39,610	-	33,260	27,485	-	-	-
198,299	210,188	281,566	89,030	199,282	186,269	122,009
240,000	276,500	(1,048,912)	300,000	300,000	300,000	300,000
13,499,434	14,247,494	13,051,290	14,682,012	14,819,274	15,580,540	16,092,757
60,467	64,597	36,012	24,345	12,142	15,326	17,104
(240,000)	(276,500)	1,048,912	(300,000)	(300,000)	(300,000)	(300,000)
(179,533)	(211,903)	1,084,924	(275,655)	(287,858)	(284,674)	(282,896)
13,319,901	14,035,591	14,136,214	14,406,357	14,531,416	15,295,866	15,809,861
2,424,445	345,130	(1,537,849)	176,464	1,119,050	1,280,839	1,257,218
403,586	(844,008)	2,385,102	(1,053,198)	478,963	(564,870)	(815,249)
$ 2,828,031	$(498,878)	$ 847,253	$(876,734)	$ 1,598,013	$ 715,969	$ 441,969

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CITY OF HIGHLAND VILLAGE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Nonspendable - prepaid items	$ -	$ -	$ -	$ -	$ -	$ 1,073	$ 772	$ 7,319	$ 1,176	$ 449
Assigned	-	-	-	-	-	-	-	151,582	185,104	865,468
Unassigned	-	-	-	-	-	4,295,895	4,539,271	4,442,650	4,357,319	4,207,414
Reserved	38,113	60,967	97,928	283,297	188,860	-	-	-	-	-
Unreserved	2,467,540	3,184,302	3,693,582	3,633,978	4,001,874	-	-	-	-	-
Total general fund	$ 2,505,653	$ 3,245,269	$ 3,791,510	$ 3,917,275	$ 4,190,734	$ 4,296,968	$ 4,540,043	$ 4,601,551	$ 4,543,599	$ 5,073,331
All other governmental funds										
Restricted, for the purpose of:										
Debt service	$ -	$ -	$ -	$ -	$ -	$ 349,270	$ 354,029	$ 160,157	$ 168,040	$ 154,343
Community develoepment	-	-	-	-	-	2,539,696	2,350,393	1,820,252	8,056,884	2,349,085
Public safety	-	-	-	-	-	76,953	86,057	92,018	94,120	84,158
Utility drainage	-	-	-	-	-	433,566	283,352	171,166	161,368	165,456
Capital projects	-	-	-	-	-	371,455	3,104,486	785,227	641,828	392,061
Public Broadcasting	-	-	-	-	-	-	10,738	6,291	17,420	30,276
Committed - parks	-	-	-	-	-	236,402	167,766	86,178	106,705	120,422
Reserved	6,616,230	2,686,284	9,679,618	12,534,051	1,865,015	-				
Unreserved, reported in:										
Special revenue funds	48,543	466,157	474,263	517,724	3,180,113	-	-	-	-	-
Capital projects funds	-	122,551	171,976	173,291	-	-	-	-	-	-
Total all other governmental funds	$ 6,664,773	$ 3,274,992	$ 10,325,857	$ 13,225,066	$ 5,045,128	$ 4,007,342	$ 6,356,821	$ 3,121,289	$ 9,246,365	$ 3,295,801

Note:

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

TABLE 4

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2009	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Taxes	$ 8,927,579	$ 9,930,351	$ 11,759,504	$ 12,665,467	$ 13,698,528	$ 13,747,894	$ 14,234,807	$ 14,271,269	$ 15,066,221	$ 15,625,989
Fines and forfeitures	181,200	210,170	128,235	148,806	243,880	216,558	123,635	170,442	158,183	124,932
Licenses, permits, fees	1,375,390	1,538,951	1,303,368	1,127,547	1,132,330	1,256,464	1,372,677	1,414,988	1,600,992	1,565,929
Intergovernmental	804,341	319,162	183,398	358,837	224,909	147,182	353,433	1,620,831	1,651,123	1,435,235
Charges for services	103,245	104,736	204,536	260,508	152,512	220,595	201,896	206,460	252,168	253,851
Investment earnings	332,086	571,390	345,422	317,234	97,853	45,144	16,795	54,003	33,308	36,026
Miscellaneous	256,389	227,942	259,515	223,108	212,488	318,178	117,514	199,282	186,269	122,009
Total revenues	11,980,230	12,902,702	14,183,978	15,101,507	15,762,500	15,952,015	16,420,757	17,937,275	18,948,264	19,163,971
EXPENDITURES										
General government	2,750,713	3,172,948	2,795,110	2,951,409	3,184,450	3,877,964	3,676,079	3,821,447	3,862,314	4,137,117
Public safety	3,239,400	3,599,342	4,361,246	4,789,474	5,049,759	5,368,601	5,570,980	5,563,505	5,726,860	6,212,042
Building operations	-	267,648	320,616	336,072	341,466	306,349	352,156	-	-	-
Community development	-	590,233	494,528	492,933	517,773	-	-	-	-	-
Community service	547,953	-	-	-	-	-	-	373,690	378,626	401,541
Streets and drainage	873,485	758,953	952,526	1,290,052	1,081,337	1,185,257	1,208,138	1,359,195	1,936,985	1,352,770
Parks and recreation	1,366,711	1,380,545	1,695,348	1,962,700	2,039,292	2,283,597	2,313,973	2,354,526	2,415,834	2,378,196
Debt service:										
Principal	1,257,728	1,113,243	1,419,371	1,401,407	1,781,323	1,696,671	1,765,000	1,735,000	1,815,000	1,955,000
Interest and other	706,215	632,549	793,504	1,049,888	980,673	901,321	824,359	794,461	888,597	863,286
Capital outlay	3,119,733	4,457,417	2,153,389	1,946,051	5,345,918	1,594,158	1,336,567	5,409,475	3,223,116	8,218,357
Total expenditures	13,861,938	15,972,878	14,985,638	16,219,986	20,321,991	17,213,918	17,047,252	21,411,299	20,247,332	25,518,309

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$(1,881,708)	$(3,070,176)	$(801,660)	$(1,118,479)	$(4,559,491)	$(1,261,903)	$(626,495)	$(3,474,024)	$(1,299,068)	$(6,354,338)
OTHER FINANCING SOURCES (USES)										
Issuance of long-term debt	8,130,000	300,000	8,000,000	3,830,000	-	4,070,000	2,795,000	-	7,020,000	-
Proceeds from capital leases	713,391	-	-	-	-	-	-	-	-	633,506
Premium on debt issuance	80,321	-	158,766	33,843	-	200,910	124,049	-	46,192	-
Proceeds from sale captial assets	-	-	-	39,610	-	-	-	-	-	-
Payments to escrow account	(3,965,692)	-	-	-	-	(4,240,559)	-	-	-	-
Transfers in	384,923	730,108	409,676	730,493	1,612,313	1,314,389	1,198,962	1,268,715	1,235,142	1,283,905
Transfers out	(144,923)	(610,108)	(169,676)	(490,493)	(1,335,813)	(1,014,389)	(898,962)	(968,715)	(935,142)	(983,905)
Total other financing sources (uses)	5,198,020	420,000	8,398,766	4,143,453	276,500	330,351	3,219,049	300,000	7,366,192	933,506
NET CHANGE IN FUND BALANCES	$ 3,316,312	$(2,650,176)	$ 7,597,106	$ 3,024,974	$(4,282,991)	$(931,552)	$ 2,592,554	$(3,174,024)	$ 6,067,124	$(5,420,832)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	18.3%	15.2%	17.2%	17.2%	18.4%	16.6%	16.5%	15.8%	15.9%	16.6%

CITY OF HIGHLAND VILLAGE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property: Residential Property	Real Property: Commercial Property	Personal Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2006	$ 1,155,004,979	$ 103,324,968	$ 32,671,282	$ 50,228,446	$ 1,240,772,783	0.5696	$ 7,067,814
2007	1,230,372,823	124,967,535	25,619,835	52,545,296	1,328,414,897	0.5696	7,567,050
2008	1,307,427,681	195,882,733	31,996,149	56,731,754	1,478,574,809	0.5696	8,422,406
2009	1,367,695,704	254,564,950	63,406,709	68,338,327	1,617,329,036	0.5696	9,212,791
2010	1,392,011,109	272,382,720	63,385,404	69,657,350	1,658,121,883	0.5696	9,445,160
2011	1,401,737,552	225,092,872	53,733,486	75,046,468	1,605,517,442	0.5696	9,145,509
2012	1,416,483,461	252,976,165	59,119,095	80,495,062	1,648,083,659	0.5696	9,387,979
2013	1,411,883,987	254,483,493	58,492,381	89,119,649	1,635,740,212	0.5696	9,317,667
2014	1,461,181,835	263,597,977	60,771,959	90,906,933	1,694,644,838	0.5696	9,653,205
2015	1,564,231,925	278,425,113	60,243,887	105,428,441	1,797,472,484	0.5696	10,238,943

Source: Denton County Appraisal District

Note: Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per $100 of assessed value.

Residential: single family, vacant lots, acreage, and farm/ranch and personal.

Commercial: real commercial, personal industrial and utilities.

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	Debt Service Rate	Total Direct Rate	Lewisville Independent School District	Denton County
2006	0.4549	0.1147	0.5696	1.64	0.23
2007	0.4488	0.1208	0.5696	1.37	0.24
2008	0.4410	0.1287	0.5696	1.37	0.24
2009	0.4543	0.1153	0.5696	1.38	0.24
2010	0.4541	0.1155	0.5696	1.41	0.25
2011	0.4550	0.1146	0.5696	1.43	0.27
2012	0.4586	0.1111	0.5696	1.43	0.28
2013	0.4698	0.0998	0.5696	1.45	0.28
2014	0.4613	0.1083	0.5696	1.48	0.28
2015	0.4700	0.0996	0.5696	1.48	0.27

Source: Denton County Tax Collector's Office
Lewisville Independent School District Budget Office

Note: A typical property tax bill would consist of the City, School District and County taxes.

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2015		2006	
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value*	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value**
MP Shops at Highland Village, LLC	$ 68,804,600	3.828%	$ -	- %
DDR Highland Village, LP	36,989,690	2.058%	-	- %
Wal-Mart Stores Texas, LP	17,650,000	0.982%	-	- %
Centro NP Holdings 12 SPE, LLC	9,948,272	0.553%	-	- %
HHSG, LLC	8,896,646	0.495%	-	- %
Barnett Healthcare Prop, LLC	8,382,420	0.466%	-	- %
Wal-Mart Stores Texas, LP	8,331,270	0.463%	-	- %
HVOS Partners, LP	6,474,868	0.360%	-	- %
A-1 Storage, LTD	5,182,380	0.288%	-	- %
HSM Highland Point S/C. LTD	4,641,811	0.258%	-	- %
Verizon Southwest	-	- %	9,728,380	0.784%
Opus West, LP	-	- %	7,426,647	0.599%
Realty Capital Village Creek, LTD	-	- %	4,785,307	0.386%
CoServ Elecrtric Co-Op	-	- %	4,373,250	0.352%
Centeramerica Prop Trust, LP	-	- %	3,968,681	0.320%
Tabani Highland, LP P/S	-	- %	3,829,123	0.309%
Beal Dev, LTD P/S	-	- %	3,596,803	0.290%
Arian, Jack Trustee	-	- %	2,710,842	0.218%
Highland Village Dev, LP	-	- %	2,178,000	0.176%
The Kroger Company	-	- %	2,139,912	0.172%
Total	$ 175,301,957	9.753%	$ 44,736,945	3.606%

Source: Denton county Appraisal District

Notes:

* Total taxable value including real and personal property for tax year 2014 (fiscal year 2015) is $1,797,472,482

** Total taxable value including real and personal property for tax year 2005 (fiscal year 2006) is $1,240,772,783

CITY OF HIGHLAND VILLAGE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	$ 7,082,640	$ 7,030,306	99.26%	$ 51,329	$ 7,081,635	99.99%
2007	7,633,449	7,585,059	99.37%	48,040	7,633,099	100.00%
2008	8,407,508	8,377,388	99.64%	28,788	8,406,176	99.98%
2009	9,359,745	9,315,842	99.53%	39,936	9,355,777	99.96%
2010	9,449,566	9,409,516	99.58%	38,189	9,447,705	99.98%
2011	9,331,792	9,311,956	99.79%	17,621	9,329,577	99.98%
2012	9,378,644	9,362,729	99.83%	13,351	9,376,081	99.97%
2013	9,315,832	9,293,267	99.76%	14,492	9,307,759	99.91%
2014	9,697,513	9,672,999	99.75%	6,381	9,679,380	99.81%
2015	10,201,729	10,176,515	99.75%	-	10,176,515	99.75%

Sources: Denton County appraisal District and Denton County Tax office.

Notes: Tax levy includes adjustments and supplements made to the property roll during the fiscal year. Delinquent collections do not include penalty and interest.

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	Governmental Activities				Business-type Activities					
Fiscal Year	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Tax Note	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Total Primary Government	Percentage of Personal Income*	Per Capita*
2006	$ 14,690,489	$ 1,255,000	$ 440,676	$ -	$ 2,911,618	$ 7,210,308	$ -	$ 26,508,091	5.35%	$ 1,774
2007	13,681,183	1,255,000	328,880	300,000	2,305,334	6,759,410	-	24,629,807	4.70%	1,610
2008	17,752,581	4,316,276	213,066	-	1,808,962	7,913,635	-	32,004,520	5.38%	2,032
2009	16,676,096	7,922,613	108,442	-	1,574,794	11,868,586	128,756	38,279,287	6.14%	2,415
2010	15,448,553	7,428,791	-	-	1,330,983	11,288,976	87,448	35,584,751	5.59%	2,212
2011	14,238,460	6,879,970	-	-	1,001,994	10,644,363	44,550	32,809,337	5.48%	2,144
2012	13,024,524	9,237,414	-	-	5,339,572	5,262,868	-	32,864,378	4.97%	2,106
2013	11,865,589	8,644,049	-	-	4,771,815	5,030,763	-	30,312,216	4.47%	1,979
2014	10,880,294	15,080,339	-	-	4,373,046	9,345,362	-	39,679,041	5.31%	2,572
2015	9,545,000	14,150,000	503,506	-	3,515,000	9,055,000	-	36,768,506	4.68%	2,310

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	Certificate of Obligation Bonds	General Bonded Debt Outstanding	Less Debt Service Resources Available	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2006	$ 17,602,107	$ 8,465,308	$ 26,067,415	$ 200,334	$ 25,867,081	2.08%	$ 1,731
2007	15,986,517	8,014,410	24,000,927	320,939	23,679,988	1.78%	1,548
2008	19,561,543	12,229,911	31,791,454	371,198	31,420,256	2.13%	1,995
2009	18,250,890	19,791,199	38,042,089	365,943	37,676,146	2.33%	2,377
2010	16,779,536	18,717,767	35,497,303	341,419	35,155,884	2.12%	2,185
2011	15,240,454	17,524,333	32,764,787	349,270	32,415,517	2.02%	2,118
2012	18,364,096	14,500,282	32,864,378	354,029	32,510,349	1.97%	2,084
2013	16,637,404	13,674,812	30,312,216	160,157	30,152,059	1.84%	1,969
2014	15,253,340	24,425,701	39,679,041	168,040	39,511,001	2.33%	2,561
2015	13,060,000	23,205,000	36,265,000	154,343	36,110,657	2.01%	2,269

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for property value data.

See Table 14 for population data.

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2015

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
County of Denton	$ 634,275,000	2.826%	$ 17,927,539
Lewisville Independent School District	1,311,277,074	6.568%	86,127,430
Subtotal overlapping debt			104,054,969
City of Highland Village (direct debt)	24,198,506	100.0%	24,198,506
Total direct and overlapping debt			$ 128,253,475

Sources:

Assessed value data used to estimate applicable percentages provided by the Denton County Appraisal District. Debt outstanding data provided by each governmental unit.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Highland Village, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

CITY OF HIGHLAND VILLAGE, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2015	
Assessed value	$ 1,797,472,484
Debt limit ($2.50 per $100 of assessed value)	44,936,812
Debt applicable to limit:	
Tax supported debt	2,688,286
Less: Amount set aside for repayment of general obligation debt	154,343
Total net debt applicable to limit	2,842,629
Legal debt margin	$ 42,094,183

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	$ 30,228,973	$ 33,210,372	$ 36,964,437	$ 40,433,227	$ 41,453,047	$ 40,137,937	$ 41,202,091	$ 40,893,505	$ 42,366,121	$ 44,936,812
Total net debt applicable to limit	1,380,008	1,234,670	1,517,857	1,909,108	2,308,177	2,231,680	2,262,042	2,369,304	2,478,463	2,842,629
Legal debt margin	$ 28,848,965	$ 31,975,702	$ 35,446,580	$ 38,524,119	$ 39,144,870	$ 37,906,257	$ 38,940,049	$ 38,524,201	$ 39,887,658	$ 42,094,183
Total net debt applicable to the limit as a percentage of debt limit.	4.57%	3.72%	4.11%	4.72%	5.57%	5.56%	5.49%	5.79%	5.85%	6.33%

Note:

According to The State of Texas Constitution, Article 11, Section 5, provides in part that, "…no tax for any purpose shall ever be lawful for any one year, which shall exceed 2.5% of the taxable property of such city." As a home rule city, the City of Highland Village is not limited in the

TABLE 13

CITY OF HIGHLAND VILLAGE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water and Wastewater System Revenue Bonds						
		Less:	Net	Debt Service			
Fiscal Year	Total Revenues	Operating Expenses	Available Revenue	Principal	Interest	Total	Coverage
2006	$ 7,909,840	$ 6,377,246	$ 1,532,594	$ 886,064	$ 378,864	$ 1,264,928	1.21
2007	5,791,804	5,154,652	637,152	1,020,159	459,975	1,480,134	0.43
2008	7,695,954	5,658,275	2,037,679	930,248	416,634	1,346,882	1.51
2009	7,703,794	5,901,886	1,801,908	708,043	450,115	1,158,158	1.56
2010	7,431,980	6,751,790	680,190	877,687	599,289	1,476,976	0.46
2011	9,098,999	6,725,115	2,373,884	958,329	499,271	1,457,600	1.63
2012	8,775,422	8,517,784	257,638	995,000	348,478	1,343,478	0.19
2013	8,498,147	6,642,770	1,855,377	800,000	347,277	1,147,277	1.62
2014	8,116,969	7,284,308	832,661	840,000	398,349	1,238,349	0.67
2015	7,905,718	7,266,680	639,038	860,000	424,163	1,284,163	0.50

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues do not include capital contributions. Operating expenses do not include interest, depreciation, or amortization

CITY OF HIGHLAND VILLAGE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2006	14,940	$ 495,604,620	$ 33,173	3.3%
2007	15,300	523,887,300	34,241	4.2%
2008	15,750	595,035,000	37,780	5.0%
2009	15,850	623,158,600	39,316	7.5%
2010	16,090	636,713,480	39,572	7.1%
2011	*15,305	598,930,565	39,133	6.9%
2012	15,602	661,072,342	42,371	5.6%
2013	15,315	677,964,420	44,268	5.4%
2014	15,429	747,797,343	48,467	4.2%
2015	15,915	784,959,630	49,322	3.4%

Source: U. S. Census Bureau
Texas Workforce Commission
Bureau of Economic Analysis

Note: Population estimates are based on residential sewer connections.
*2011 population estimates are based on 2010 census

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

	2015		2006
Employer	Employees		Employees
City of Highland Village	100 - 499		100 - 499
Lewisville Independent School District	100 - 499		-
Walmart Supercenter	100 - 499	*	-
Whole Foods Stores	100 - 499	*	
AMC Highland Village 12	50 - 99		-
Delta Dental	50 - 99		-
Excite Gymnastics & Cheer	50 - 99		
Home Instead Senior Care	50 - 99		-
Ihop Restaurant	50 - 99		-
Kroger	50 - 99		-
Patrizio Restaurant	50 - 99		-
Rosa's Café & Tortilla Factory	50 - 99		-
TJ Maxx	50 - 99		-
Excite! Gymnastics & Cheer LLC	-		50 - 99
Macha Services Corporation	-		50 - 99
Pizza Café Inc.	-		50 - 99
Salerno Pizza Co	-		50 - 99
John C Williamson MD PA	-		20 - 49
John R Ross Company Inc	-		20 - 49
J-P Gowing On Inc	-		20 - 49
Kid Country Inc	-		20 - 49
Marla R Conger MD PA	-		20 - 49
Prime Kids LLC	-		20 - 49
Randy Sutton	-		20 - 49
TDW-Christie LLC	-		20 - 49
The 3R's Child Care Inc	-		20 - 49

Source: Texas Workforce Commission and individual employers*

TABLE 16

CITY OF HIGHLAND VILLAGE, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
City manager	2	2	2	2	2	2	2	2	2	2
Finance	10	10	10	10	11	12	12	13	13	11
Human resources	3	3	3	3	3	3	3	3	3	3
City secretary	2	2	2	2	2	2	2	2	2	2
Information Services	-	-	-	-	-	-	-	-	4	4
City Attorney	-	3	3	3	3	2	1	-	0	-
Maintenance	4	4	4	4	4	4	4	4	4	4
Public safety										
Police	32	35	37	37	37	38	38	39	41	44
Fire	10	11	15	15	18	18	18	18	18	19
Community services	5	5	4	4	4	4	5	5	5	5
Streets and drainage	15	16	16	16	17	16	16	15	15	15
Parks and recreation	15	15	15	15	15	16	16	17	17	17
Water and wastewater	14	15	17	17	17	17	18	18	18	18
Highland Village Community Development Corporation	-	1	1	1	2	2	2	2	2	3
Total	112	122	129	129	135	136	137	138	144	147

Source: Various City departments

Notes: A fulltime employee is scheduled to work 40 hours per week (including vacation and sick leave).

CITY OF HIGHLAND VILLAGE, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2006	2007	2008
General government			
Open records requests processed	151	132	136
Court cases filed	3,113	2,367	1,988
Employee turnover (%)	10.70%	8.00%	10.00%
Emp safety lost time injuries	5	2	1
Building Operations			
Permits issued	1,176	1,658	1,316
Inspections performed	5,051	6,639	4,039
Animal impounds	200	*	*
Animal registrations	1,082	*	*
Police			
Reported offenses	371	441	482
Arrests	292	299	280
Service	6,464	6,972	7,918
Close patrols	11,658	23,919	9,475
Traffic citations issued	2,331	1,785	1,592
Traffic warnings issued	2,934	2,393	2,685
Motor vehicle accidents	159	211	248
Animal impounds	*	*	*
Animal care calls	*	174	3,104
Animal registrations	*	1,049	907
Fire			
EMS calls	502	513	657
Fires calls	402	437	395
Streets and Drainage			
Drainage materials (ft.)	3,976	6,374	5,782
Asphalt (tons)	743	674	656
Concrete(yards)	118	152	187
Cold patch (lbs)	1,928	2,875	2,200
Crack seal (lbs)	15,390	4,110	9,190
Paint (gal)	137	43	176
Sod replacement (yards)	952	1,473	-
Saw cuttings	7,421	3,569	6,535
Spoils (yards)	*	*	*
Sign Repairs (hours)	*	*	*
Work orders completed (Maintenance)	1,821	2,130	2,286
Total fuel consumption	59,805	58,908	65,119
Parks and recreation			
Acres of turf mowed	2,963	4,867	6,067
Park maintenance (man hours)	*	*	*
Bags of trash disposed (55 gal)	4,867	4,383	5,734
Trash removal (man hours)	*	*	*
Recreation/Special Events Participation	11,160	12,788	16,235
Water			
New connections	57	105	54
Field operations work orders completed	4,179	5,411	5,492
Peak daily consumption	7,730,540	6,375,848	7,393,200
Maximum daily capacity-water production	7.54 MGD	7.54 MGD	7.54 MGD
Number of gallons pumped	1,264,284,000	858,936,000	1,049,519,800
Number of gallons sold	1,189,356,500	827,602,885	977,399,700
Wastewater			
Wastewater work orders completed	844	967	1,209
Wastewater gallons pumped	384,938,000	538,198,300	427,173,000

Source: Various City departments

* Not available

**During Fiscal Year 2009-2010 the City's Fuel Station was not in use due to Facility Construction, therefore Total Fuel Consumption does not include 4 months

2009	2010	2011	2012	2013	2014	2015
113	142	149	184	220	240	224
2,369	3,182	2,704	1,220	2,284	1,962	1,524
7.60%	9.80%	14.00%	16.00%	11.70%	10.70%	7.50%
-	1	2	-	1	2	-
1,158	1,083	1,250	1,386	1,424	1,466	1,343
2,468	3,398	2,911	2,928	2,923	2,889	2,946
*	*	*	*	*	*	*
*	*	*	*	*	*	*
375	324	340	273	227	262	306
298	307	321	232	255	271	281
7,761	7,329	7,022	6,324	5,884	4,928	5,164
9,119	5,986	4,331	10,249	7,174	12,492	8,259
2,342	3,670	2,480	1,305	2,119	2,221	1,716
3,192	3,857	4,626	2,010	2,622	3,008	2,841
258	251	197	189	194	204	162
*	360	216	221	*	230	172
3,130	3,826	2,105	4,656	*	1,554	687
844	1,148	580	873	*	907	690
691	615	566	525	568	591	601
456	400	504	549	350	457	493
5,924	6,364	9,268	34,021			
719	220	402	1,148	316	157	426
59	102	937	4,216	406	197	270
3,810	2,762	3,000	53	600	900	3,575
20,853	6,295	21,558	-	-	-	125
175	140	301	89	140	156	20
-	-	-	-	329	250	25
3,268	1,069	10,578	16,568	11,996	28,334	17,832
1,979	1,639	577	3,605	3,402	404	961
139	532	700	159	196	98	48
2,028	713	534	264	1,860	1,903	1,837
67,225	**47,984	65,789	58,692	59,415	60,448	55,897
6,154	6,154	4,686	*	11,448	4,931	*
*	*	*	5,126	6,525	*	24,012
5,800	5,800	4,898	*	7,200	6,160	8,260
*	*	*	1,253	2,816	*	2,816
24,940	25,041	30,342	19,798	20,894	22,608	20,288
18	28	33	59	15	16	17
8,001	7,305	5,379	14,822	16,687	9,815	10,675
7,427,600	7,235,926	7,220,700	8,099,400	6,780,300	6,929,900	7,500,000
7.54 MGD	7.54 MGD	6.46MGD	6.93MGD	7.20MGD	7.20MGD	7.20MGD
1,050,873,400	984,344,630	1,236,291,896	1,094,066,900	1,162,636,600	1,044,346,300	1,056,000,000
952,105,000	888,988,200	1,188,799,975	1,070,560,100	1,152,288,922	934,653,200	1,008,000,000
1,399	1,396	1,148	1,620	1,123	4,156	4,867
413,215,000	577,082,000	462,414,000	446,910,000	374,111,518	381,156,000	604,500,000

TABLE 18

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
City area (in miles)	6.38	6.38	6.38	6.38	6.38	6.38	6.38	6.38	6.38	6.38
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Streets and Drainage										
Streets (miles)	153.9	153.9	153.9	159.0	90.0	200.0	200.0	200.0	200.0	200.0
Traffic signals	1	1	1	1	1	3	3	3	3	3
Parks and recreation										
Acres of parks	311	318	338	366	366	335	318	318	318	318
Trail system (linear miles)	-	2.7	2.7	6.7	6.7	6.7	7.1	10.0	11.7	11.7
Water										
Number of meters in service	5,108	5,226	5,276	5,294	5,322	5,357	5,416	5,422	5,439	5,456
Water mains (in miles)	83	85	93	94	95	100	100	100	98	99
Fire hydrants	630	729	729	739	741	754	766	770	780	780
Wastewater										
Storm sewers (miles)	25	25	25	25	38	23	23	24	24	25
Sanitary sewers (miles)	83	83	90	91	92	98	98	98	98	98
Sewer connections	4,952	5,054	5,085	5,103	5,121	5,119	5,212	5,218	5,235	5,253

Source: Various City departments